



CHISHOLM
TRAIL

CHISHOLM TRAIL
LOOKOUT POINT

The State of
OKLAHOMA
2017
FISCAL YEAR ENDED JUNE 30, 2017

COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT



CHISHOLM TRAIL
150TH ANNIVERSARY



The Chisholm Trail fundamentally changed the American West. From the birth of the cowboy as an icon to the revival of the cattle industry, the Old Chisholm Trail helped shape our popular culture by altering how we thought of the American west and the individuals who lived there.

In its time, the Chisholm Trail was considered to be one of the wonders of the western world. Herds with as many as ten thousand cattle were driven from Texas over the trail to Kansas. The trail acquired its name from trader Jesse Chisholm, a part-Cherokee, who just before the Civil War had built a trading post in what is now western Oklahoma City.

In 2017, the Chisholm Trail celebrated its 150th anniversary.

Source: www.okhistory.org and www.chisholmtrail150.org

Photographs provided by Stefani L. Hovarter, CPA, CGFM, employee of the Oklahoma Office of Management and Enterprise Services.

OKLAHOMA 2017

**Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2017**

Mary Fallin
Governor

Prepared by
Office of Management and Enterprise Services

Denise Northrup, Interim Director
Lynne Bajema, State Comptroller

The Oklahoma Comprehensive Annual Financial Report is an annual publication of the Oklahoma Office of Management and Enterprise Services and is prepared by the Division of Central Accounting & Reporting.

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INTRODUCTORY SECTION



State of Oklahoma
Office of Management and Enterprise Services

December 21, 2017

To the Honorable Mary Fallin, Governor
Members of the Legislature, and
Citizens of the State of Oklahoma

The Office of Management and Enterprise Services (OMES) is pleased to present the Comprehensive Annual Financial Report (CAFR) for the State of Oklahoma for the fiscal year ended June 30, 2017. This report is presented in three sections — introductory, financial and statistical — as the primary means of reporting the state government's financial activities. Its objectives are to provide a clear picture of the government as a single, unified entity and to provide traditional fund based financial statements. The CAFR has been prepared in conformity with relevant Governmental Accounting Standards Board statements.

The Introductory Section contains an overview of the state's economic performance, a review of current initiatives and summary financial data. The Financial Section contains Management's Discussion and Analysis, Government-wide Financial Statements and Fund Financial Statements for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. The Financial Section also includes the Notes to the Financial Statements, Required Supplementary Information and Other Supplementary Information. The Statistical Section contains selected financial and demographic information. Management's Discussion and Analysis contains complementary information, and readers are encouraged to review this section.

PROFILE OF THE GOVERNMENT

Management of the state, through OMES, is responsible for the accuracy, fairness and completeness of the financial statements presented in this report. The statements have been prepared in accordance with generally accepted accounting principles. To the best of our knowledge and belief, the information presented is accurate in all material respects and includes all disclosures necessary for an understanding of the state's financial position and activities. The governor and Legislature govern all funds and accounts for every executive agency, board, commission, public trust, authority, college and university whose data are presented in this report. The financial reporting entity, the State of Oklahoma, includes these funds, organizations, agencies, boards, commissions and authorities. In accordance with Governmental Accounting Standards Board Statement 61, the state financial reporting entity includes 19 component units. There are six major component units, seven nonmajor component units, and six fiduciary component units. The major and nonmajor component units are discretely presented in the Financial Statements. The fiduciary component units are presented in the fiduciary fund and similar component units' financial statements, along with the other fiduciary activities of the state. The fiduciary activities are not included in the Government-wide Financial Statements because the resources of these funds are not available to support the state's own programs.

State finances are governed by rules designed to ensure sound, conservative management. The Legislature cannot appropriate more than 95 percent of the general revenue expected to be collected in the coming year. The state Board of Equalization, an independent board not subject to legislative control, establishes the legislative appropriation authority. Unlike many states that use seasonal borrowing to meet cash demands, Oklahoma maintains a cash flow reserve sufficient to meet fluctuating cash needs. General obligation indebtedness is prohibited without a vote of the people. When revenue receipts are less than estimated, the Director of Finance is mandated by the Oklahoma Constitution to declare a revenue shortfall and reduce appropriations, as required, to allow appropriations to be covered by current year tax collections.

The state's financial statements have been audited by the Office of the State Auditor and Inspector. The goal of the independent audit was to provide reasonable assurance that the financial statements of the state for the fiscal year ended June 30, 2017, are free of material misstatement. The audit was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the comptroller general of the United States. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and the significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that, based upon the audit, there was a reasonable basis for rendering an unmodified opinion and that the State of Oklahoma's financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the Financial Section of this report.

Internal Controls

Management of the State of Oklahoma is responsible for the establishment and maintenance of internal accounting controls designed to ensure assets are safeguarded and financial transactions are properly recorded and adequately documented. Such internal controls require estimates and judgments from management so that, in attaining reasonable assurance as to the adequacy of such controls, the cost does not exceed the benefit obtained.

Budget and Fiscal Policy

The budget process begins when each agency, other than the Legislature, that expends money through the state treasury submits an annual budget request to OMES. Copies are also provided to the legislative fiscal staffs. These requests are reviewed and analyzed for the governor by OMES. The governor then makes formal recommendations in the executive budget which is presented to the Legislature on the first day of the legislative session. During the legislative session, legislative committees review agency needs and recommend appropriation levels. Then the Legislature must approve all appropriation bills to fund agency operations for the next fiscal year. Appropriation bills provide for state appropriated funds and establish spending limits for state agencies. The governor can accept, reject or line-item veto particular legislative appropriations. Before encumbering or spending money in the fiscal year, each agency must submit a budget work program to OMES. The program outlines, by account, fund source and program category, how the agency plans to spend the available state, federal and revolving funds during the fiscal year. OMES must approve an agency's budget work program before agencies can encumber or spend available funds.

Oklahoma's Constitution restricts total appropriations to 95 percent of estimated general revenues. The Board of Equalization is responsible for approving the official itemized estimate of revenues based upon information provided by OMES and the Oklahoma Tax Commission and sets the amount of legislative appropriations authority. The board is comprised of six elected officials and the president of the state Board of Agriculture. The six elected officials are the governor, the state auditor and inspector, the state treasurer, the lieutenant governor, the attorney general, and the superintendent of public instruction.

The constitution requires that collections in excess of the Board of Equalization's itemized estimate of General Revenue Fund revenues be deposited to the Stabilization, or "Rainy Day" Fund each year until the balance of the "Rainy Day" Fund equals 15 percent of the prior fiscal year's General Revenue Fund certified appropriations authority. In November 2004, Oklahoma voters enacted restrictions on the use of the "Rainy Day" Fund. Up to one-fourth of the July 1 balance each year may be appropriated upon an emergency declaration by the governor with concurrence of two-thirds of the House and Senate, or by a declaration of an emergency by the House speaker and Senate's president pro tempore with concurrence of three-fourths of the members of each legislative body. Up to three-eighths of the fund may be accessed if the Board of Equalization is forecasting a decline in state revenues for the coming fiscal year and up to three-eighths may be utilized in the event of a current year revenue shortfall.

The state also has an oversight process for the issuance of debt. The Council on Bond Oversight is responsible for the review and approval of all debt issued by the state, its agencies and public trusts, and performs an assessment of all capital leases.

Proprietary Operations

The state's proprietary operations are comprised of governmental agencies and quasi-governmental agencies providing goods or services to the public on a user charge basis. These activities are financed and operated in a manner similar to private business enterprises. They operate with the intent to recover the costs of operations from those directly benefiting from the goods or services. Some of the activities included in the state's proprietary operations are power generating plants, turnpikes, medical services, insurance, and financing services for both public and private entities.

Capital Assets

These financial statements include the capital assets of the state. A discussion of capital assets accounting is included in the Management Discussion and Analysis that is part of the basic financial statements. More detailed information about capital assets can be found in the notes to the financial statements.

ECONOMIC CONDITIONS AND OUTLOOK

Though times have been, at the very least, difficult for Oklahoma's prominent energy sector the past few years, 2017 brought with it a positive note. According to the Oklahoma Economist article, "How Strong is the Recovery in Oklahoma's Oil and Gas Sector?", drilling rig counts and jobs in the oil and gas industry have started to recover, and drilling in the state was on the rise again in the second half of 2016 and early 2017.

In September 2017, the Oklahoma rig counts averaged 128 rigs and were up just over 50 percent from last September, though it still remained about 40 percent less than its 2014 peak. While the rebound in Oklahoma drilling primarily has been for oil, natural gas drilling also increased slightly in early 2017 after mostly halting in the fall of 2016. These are encouraging signs, especially with state industries outside the oil and gas sector having helped the state weather the prolonged energy market downturn.

An Oklahoma Aeronautics Commission study released in August 2017 estimates the aerospace and aviation industries are now the second largest sector of Oklahoma's economy, generating an annual impact of about \$43.8 billion, with more than 120,000 Oklahomans employed in the aerospace and defense industry.

Construction is up 5.1 percent over the past year, while durable-goods manufacturing is up 2.7 percent. Education and Health Services employment has risen 2.4 percent in the past twelve months, and Leisure and Hospitality has had an employment increase of 2 percent.

Mining employment in Oklahoma, which includes oil and gas, grew during January for the first time in more than two years according to data from the United States Bureau of Labor Statistics. January showed an increase of 0.4 percent, or 700 jobs, in the sector. The Kansas City Federal Reserve Bank's fourth quarter energy survey showed that oil and gas firms, on net, added workers in the fourth quarter with plans to continue adding jobs in 2017.

In the first quarter of 2017, Oklahoma's real Gross Domestic Product (GDP) expanded for a second consecutive quarter after contracting for four consecutive quarters. Oklahoma's real GDP grew at a 1.9 percent rate in the first quarter of 2017, ranking the state 11th among all other states and the District of Columbia. Mining was the leading contributor, adding 1.64 percentage points. Durable-goods manufacturing added 0.51 percentage point to statewide growth and, while finance and insurance declined 2.1 percent nationally, it added 0.08 percentage point to first quarter GDP growth in Oklahoma.

In September 2017, oil averaged about \$49.43 per barrel (up \$5.43 per barrel over September 2016) and natural gas was up \$0.14 from September 2016, at \$3.14 per million British thermal units (BTU).

September gross receipts to the Oklahoma State Treasurer provide further evidence of economic recovery in Oklahoma, as total collections top those from the same month of the prior year for a sixth consecutive month, State Treasurer Ken Miller announced in an Oct. 4, 2017, news release.

"Economic momentum in the state is going up," Miller said. "In September, gross receipts show increased income and consumption, attributable at least in part to increased oil field activity during the past several months."

All major revenue streams, except for motor vehicle taxes, are up over the prior year in September. The gross production tax on oil and natural gas is ahead of last September's receipts by almost 60 percent. Gross income tax collections are up

by more than 5 percent, and sales tax is higher by more than 10 percent. Motor vehicle receipts are off from last year's receipts by 6.7 percent.

The 12-month picture shows continued, steady growth. Growth in individual income, sales, gross production and motor vehicle taxes project increases ranging from 0.5 percent to 41.8 percent. Only corporate income tax payments are shown as lower than those from the previous 12-month period.

Oklahoma state government builds a 5 percent cushion into every appropriated state budget to prevent mandatory budget reductions if revenues fall below the official estimate. If revenues are projected to fall more than 5 percent below the estimate for the remainder of the fiscal year, a revenue failure is declared and mandatory appropriation reductions must occur to maintain a balanced budget.

Secretary of Finance, Administration and Information Technology Preston L. Doerflinger said the trends indicated that it is important to prepare for another tough budget year.

"While I am cautiously optimistic about the outlook for this next year, we need to remember that we've had revenue failures in the past two budget cycles," Doerflinger said. "The state has had some slow and steady growth this year, but that should not be an indicator that all is well. We all must continue to look for solutions to fix the cyclical budget problems our state faces and find stable solutions to fund core government services."

Oklahoma's score on the Mid-America Business Conditions Index, a leading economic indicator for a nine-state region, reflects the state's increasing unemployment rate. The forecasting group's overall index ranges between 0 and 100, and an index greater than 50 indicates an expansionary economy over the course of the next three to six months. Oklahoma's Business Conditions Index rose above the 50.0 threshold for August.

Explaining that anything more than 50 is positive news, "After falling below growth neutral for July, Oklahoma's overall index climbed to 56.2 last month compared with 49.4 in July," offered Ernie Goss, director of Creighton University's Economic Forecasting Group, which conducts the monthly survey. Components of the overall August index from a survey of supply managers in the state were new orders at 52.2, production or sales at 60.9, delivery lead time at 54.7, inventories at 55.1, and employment at 57.9.

"The state is adding manufacturing jobs at an annual pace of almost 2 percent and growing nonmanufacturing employment at a rate slightly above 1 percent. Our surveys over the past several months indicate this positive trend will continue for the remainder of 2017," said Goss.

Oklahoma has taken several steps to help its workforce diversify and meet the energy sector challenges, including Governor Fallin's vision for the Oklahoma Works initiative to close the skills gap in its workforce by teaching the skills needed to meet the demand of Oklahoma's growing businesses. As part of this initiative, the governor has put forth the Launch Oklahoma goal, which is to increase the overall postsecondary educational attainment of Oklahoma's workforce from its current 40 percent to 70 percent by the year 2025.

"Aligning our education and workforce training programs to provide relevant work skills will be the best way to keep job growth strong," said Fallin. "Oklahoma has long been a leader on this issue through the development of my statewide strategic plan named Oklahoma Works, which helps to develop a robust workforce and career pathways for our students." Governor Fallin signed an Executive Order on Nov. 2, 2017, establishing the "Earn & Learn Oklahoma" strategy as part of the Oklahoma Works Initiative with the goal of supporting 20,000 quality work-based learning opportunities per year by 2020.

A coalition of state agencies, educational institutions, businesses and other partners are facilitating quality employment for workers and ready availability of highly skilled talent for business and industry. The Oklahoma Department of Career and Technology Education system, which has an annual enrollment of about 500,000 students at its 58 campuses, is a model program.

The Complete College America initiative is an ambitious enterprise to increase the number of higher-education degrees and certificates earned in Oklahoma by an average of 1,700 per year, for a total increase of 20,400 by 2023. Even with a slight loss of momentum in the past year, the state remains well ahead of its four-year goal with 8,462 total new degrees and certificates by March of 2017.

According to data from the Oklahoma State Regents for Higher Education, Oklahoma's four biggest degree-producing areas are education, health professions, business management and STEM (science, technology, engineering and mathematics). In the 2015-16 school year, 38,278 degrees and certificates (not including private institutions who did not report 2015-16 degree and certificate data) were awarded at Oklahoma public and private colleges and universities. In

2015-16, more than 6,700 degrees were granted by public colleges and universities in the STEM disciplines, an increase of nearly 4 percent from the previous year. The number of STEM degrees conferred by state system institutions has risen over 32 percent during the last six years.

Thanks to both Complete College America and the governor's Oklahoma Works initiative, the total number of associate degrees in all areas has increased 60 percent since 2000. With the energy sector not quite back in a position to boost the Oklahoma economy, the state needs other industries to help drive economic growth. The tremendous increase in associate degrees, which have historically been on the low side in Oklahoma, will help to diversify and increase the workforce skills needed in the state.

Some other highlights of Oklahoma's economy include:

- 2017 Fortune 500 companies Devon Energy (231), NGL Energy Partners (237), ONEOK Inc. (312), Chesapeake Energy (343), and Williams (367) are headquartered in Oklahoma.
- Oklahoma-based companies, Love's Travel Stops and Country Stores (18) and Hobby Lobby Stores (94), have both moved up on Forbes magazine's list of largest private companies in 2017. QuikTrip (33) remains steady on the list.
- Twenty-eight Oklahoma companies, up three from last year, made the 2016 *Inc. Magazine's* top 5,000 fastest-growing private-sector companies in the nation.
- Oklahoma is graded 15th in terms of cash solvency, ninth in terms of budget solvency, second in terms of long-run solvency, 13th in terms of service-level solvency and first in terms of trust-fund solvency. The state advanced one position, to seventh overall, in the Mercatus Center at George Mason University annual state fiscal rankings.

Highlights of the fiscal year 2017 and fiscal year 2018 executive branch budgets include (expressed in millions):

	Amount Appropriated		Percentage of Total Appropriations		Increase (Decrease) from Prior Year		Percentage Increase (Decrease)	
	2017	2018	2017	2018	2017	2018	2017	2018
Department of Education	\$ 2,427	\$ 2,448	36%	36%	\$ (58)	\$ 21	(2%)	1%
Regents for Higher Education	810	774	12%	11%	(153)	(36)	(16%)	(4%)
Career & Technical Education	118	113	2%	2%	(16)	(5)	(12%)	(4%)
Other Education	41	39	1%	1%	(4)	(2)	(9%)	(5%)
Total Education	3,396	3,374	51%	50%	(231)	(22)	(6%)	(1%)
Department of Health	55	53	1%	1%	(6)	(2)	(10%)	(4%)
Health Care Authority	991	1,026	14%	15%	20	35	2%	4%
Department of Mental Health	325	328	5%	5%	(16)	3	(5%)	1%
Other Health	45	48	1%	1%	(5)	3	(10%)	7%
Total Health	1,416	1,455	21%	22%	(7)	39	(0%)	3%
Department of Human Services	652	700	10%	10%	(27)	48	(4%)	7%
Office of Juvenile Affairs	92	92	1%	1%	(7)	0	(7%)	0%
Other Human Services	67	69	1%	1%	(9)	2	(12%)	3%
Total Human Services	811	861	12%	12%	(43)	50	(5%)	6%
Department of Corrections	485	486	7%	7%	-	1	0%	0%
Department of Transportation	155	155	2%	2%	(30)	0	(16%)	0%
Department of Public Safety	89	95	1%	1%	(11)	6	(11%)	7%
Other	426	422	6%	6%	(39)	(4)	(8%)	(1%)
Total	\$ 6,778	\$ 6,848	100%	100%	\$ (361)	\$ 70	(5%)	1%

FINANCIAL INFORMATION

Governmental Functions

Most financial operations of the state are reported in governmental fund types, which are the General Fund and the Permanent Funds. Following are schedules of revenues and expenditures for these governmental funds. Note that the following tables present data according to generally accepted accounting principles (GAAP) for the fiscal year ended June 30, 2017, while previous tables have presented budgetary data for this and later periods. Transfers are primarily from the General Fund to support public institutions of higher education.

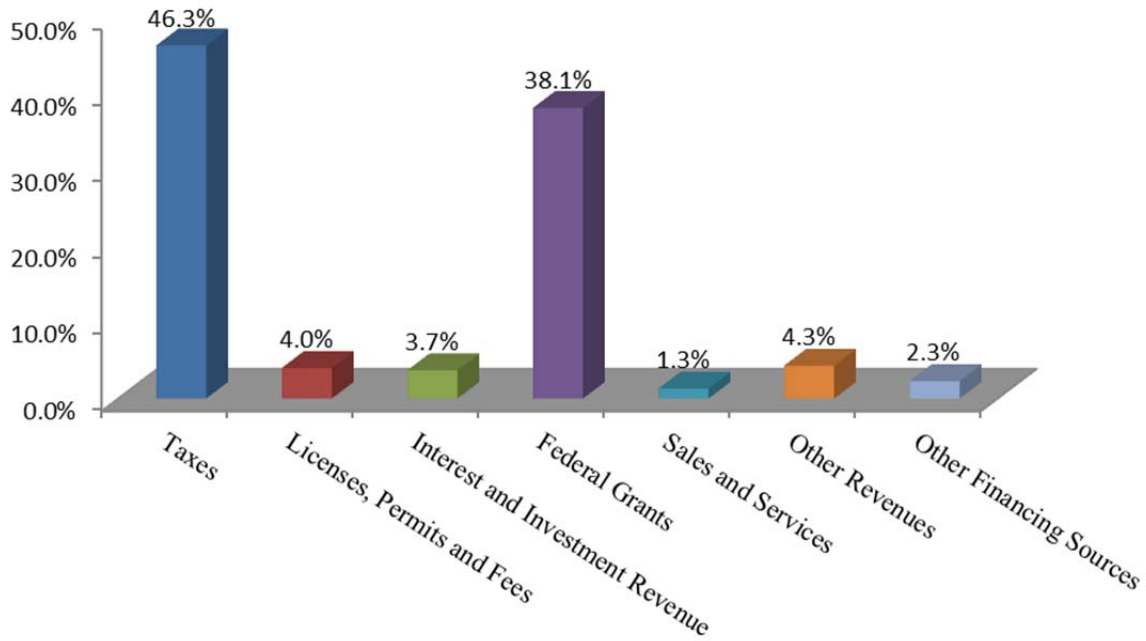
Governmental Funds: Revenues and Other Financing Sources - GAAP Basis
(expressed in millions)

	2017 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Taxes	\$ 8,132	46.3%	\$ (101)	(1.2%)
Licenses, permits and fees	711	4.0%	28	4.1%
Interest and investment revenue	655	3.7%	400	156.9%
Federal grants	6,696	38.1%	28	0.4%
Sales and services	222	1.3%	10	4.7%
Other revenues	759	4.3%	29	4.0%
Other financing sources:				
Transfers	82	0.5%	(3)	(3.5%)
Bond and note proceeds	266	1.5%	226	565.0%
Other	53	0.3%	33	165.0%
Total revenues and other financing sources	<u>\$ 17,576</u>	<u>100.0%</u>	<u>\$ 650</u>	<u>3.8%</u>

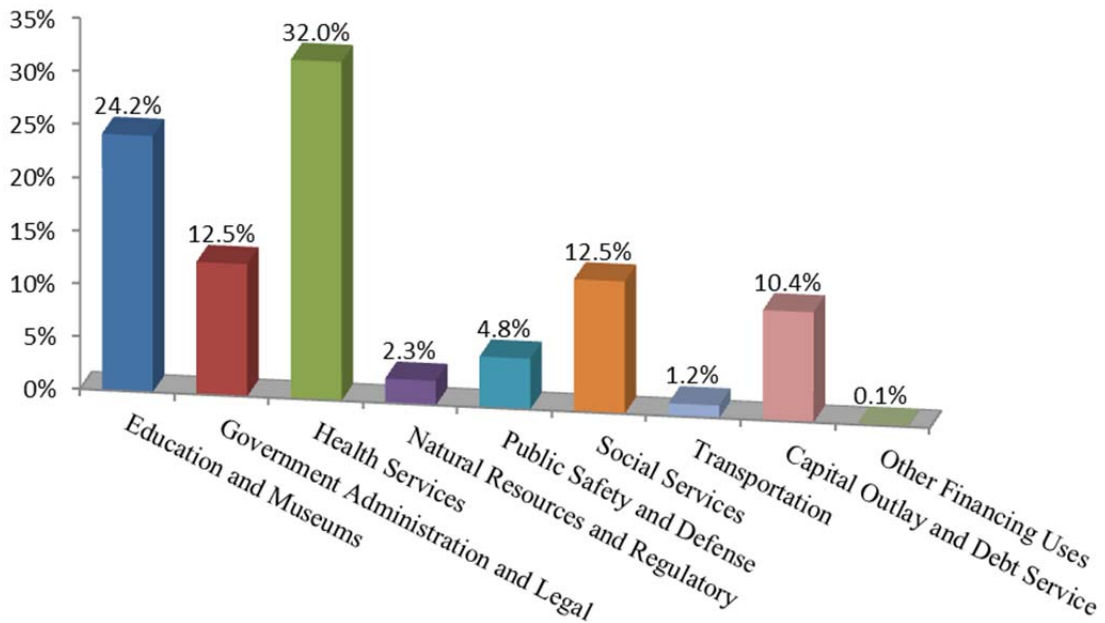
Governmental Funds: Expenditures and Other Financing Uses - GAAP Basis
(expressed in millions)

	2017 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Education	\$ 4,247	24.2%	\$ (126)	(2.9%)
Government Administration	1,936	11.0%	236	13.9%
Health services	5,614	32.0%	(90)	(1.6%)
Legal and judiciary	256	1.5%	5	2.0%
Museums	7	0.0%	(2)	(22.0%)
Natural resources	296	1.7%	14	5.0%
Public safety and defense	837	4.8%	10	1.2%
Regulatory services	96	0.6%	(96)	(50.1%)
Social services	2,193	12.5%	(155)	(6.6%)
Transportation	203	1.2%	(34)	(14.3%)
Capital outlay	1,575	9.0%	(189)	(10.7%)
Debt service	252	1.4%	(16)	(6.0%)
Other Financing Uses:				
Transfers	16	0.1%	10	166.0%
Total expenditures and other financing uses	<u>\$ 17,528</u>	<u>100.0%</u>	<u>\$ (433)</u>	<u>(2.4%)</u>
Governmental Funds - Net increase in fund balance	<u>\$ 48</u>			

**Governmental Fund Revenues and Other
Financing Sources (GAAP Basis) – Fiscal Year 2017**



**Governmental Funds Expenditures and Other
Financing Uses (GAAP Basis) – Fiscal Year 2017**



Revenue Collections and Estimates

As noted in a preceding subsection, the budget is prepared using cash available plus 95 percent of the itemized revenue estimate as approved by the state Board of Equalization. It should be noted that taxes deposited into the budgetary General Revenue Fund, as defined by Oklahoma law, are approximately 75 percent of the total tax revenues of the governmental funds, as defined by GAAP. However, the budgetary General Revenue Fund should not be confused with the General Fund as presented in the accompanying GAAP-basis financial statements, as the two terms are not interchangeable. For example, the GAAP-basis General Fund includes revenues deposited to the state Transportation Fund, federal grant proceeds, revolving fund revenues, fees and charges as well as other money used in the general operations of government which are not considered in the Board of Equalization's estimates of tax revenues.

During 2016, the most recent data available, receipts from three of the five major taxes were less than revenues of the prior year. The taxes combined for \$4.5 billion, or 91.2 percent of total receipts for the same categories in the prior year. The total of major taxes collected decreased \$432 million or 8.8 percent from that of the previous year. As compared to fiscal year 2015, collections from income taxes decreased by \$215 million, or 8.7 percent; sales taxes decreased by \$126 million, or 6.2 percent; motor vehicle taxes increased \$27 million, or 14.1 percent; and gross production taxes on gas and oil decreased by \$118 million, or 56 percent.

Oklahoma has established an enviable record in recent years for its revenue forecasting results. Since enactment of a constitutional amendment in 1985 establishing new revenue estimating procedures, collections have exceeded the estimate in 17 years and dipped below the estimate 14 years. The comparison of estimated revenues to actual collections for fiscal year 2016 is as follows:

Revenue Collections Compared to Itemized Estimate for Fiscal 2016
(expressed in millions)

	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
Individual and Corporate				
Income tax	\$ 2,326.1	\$ 2,249.6	\$ (76.5)	96.7%
Sales tax	2,134.1	1,893.6	(240.5)	88.7%
Motor vehicle tax	236.1	221.9	(14.2)	94.0%
Gross production tax	290.2	95.0	(195.2)	32.7%
Subtotal Major Taxes	4,986.5	4,460.1	(526.4)	89.4%
Other sources	759.6	744.7	(14.9)	98.0%
Total	\$ 5,746.1	\$ 5,204.8	\$ (541.3)	90.6%

The 15-year comparative history of estimated to actual collections is shown in the following table:

Budgetary General Revenue Fund Comparisons (expressed in millions)					
Fiscal Year	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected	
2002	\$ 4,829	\$ 4,413	\$ (416)	91.4%	
2003	4,725	4,186	(539)	88.6%	
2004	4,396	4,613	217	104.9%	
2005	4,545	4,957	412	109.1%	
2006	5,149	5,715	566	111.0%	
2007	5,708	5,966	258	104.5%	
2008	5,845	5,981	136	102.3%	
2009	5,981	5,544	(437)	92.7%	
2010	5,415	4,622	(793)	85.4%	
2011	4,889	5,138	249	105.1%	
2012	5,236	5,564	328	106.3%	
2013	5,601	5,604	3	100.1%	
2014	5,889	5,627	(262)	95.6%	
2015	5,857	5,727	(130)	97.8%	
2016	5,746	5,205	(541)	90.6%	
Fifteen-Year Average	\$ 5,321	\$ 5,257	\$ (63)	98.8%	

The status of three important fund balances affecting the new year's fiscal picture is explained as follows:

Cash-Flow Committed Fund – Each year, 10 percent of the General Revenue Fund's certified appropriation level is set aside to meet anticipated monthly cash flow needs for the new fiscal year. At the close of fiscal year 2017, the amount the state set aside was \$275.1 million.

General Revenue Fund – In fiscal year 2017, there were amendments to the budget that added \$174.7 million. \$49.1 million was added to the budget for prior year carry-over compared to a \$27.0 million carry-over in fiscal year 2016. Carry-over funds reflect the difference between the 95 percent appropriation limit and actual receipts up to 100 percent of the estimate. Funds required to replenish or increase the cash-flow committed fund also come from this source. An additional \$70.0 million was added to fund a portion of the ad valorem reimbursement to schools. The Office of Management and Enterprise services was awarded an additional \$14.3 million to cover debt service payments for bonds associated with the project to restore the State Capitol Building. In addition, the Department of Human Services was given \$34.0 million and the Department of Public Safety was given \$5.0 million in supplementary funding.

Constitutional "Rainy Day" Fund - At the start of each fiscal year, collections that exceed the estimate for the preceding year are automatically deposited in the Rainy Day Fund until the total balance equals 15 percent of the prior year's certified collections for the General Revenue Fund. As a result of different triggers for making the funds available for use, any amounts deposited to the fund are split between unassigned and restricted fund balance. For the fiscal year beginning July 1, 2017, the restricted portion had a balance of \$70.0 million and the unassigned portion had a balance of \$23.3 million, giving the total Constitutional Fund a balance of \$93.3 million.

FOR THE FUTURE

State government will focus on critical issues to ensure Oklahoma capitalizes on its potential for growth. Sustained efforts in creating a business friendly environment are essential for creating a bright, strong future. In addition, the state will continue to improve the efficiency of government through consolidations of information technology and financial services.

Oklahoma's executive management will continue to lead in promoting these key areas to improve the lives of Oklahomans. With the governor's leadership, Oklahoma will invest in a high quality educational system where all students can succeed, advance the improved health of Oklahoma's citizens and encourage investors to allow their money to work and grow in Oklahoma, creating more jobs and higher incomes.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Oklahoma for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

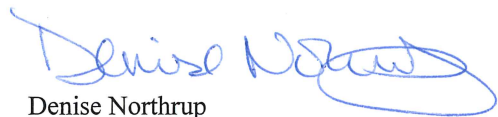
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Since 1996, the State of Oklahoma has received the Certificate of Achievement. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

ACKNOWLEDGMENTS

The Office of Management and Enterprise Services is pleased to recognize and commend the efforts of the numerous individuals across the state that made this Comprehensive Annual Financial Report possible. Questions or requests for additional information related to this report can be directed to our office at 405-521-2141.

Respectfully submitted,



Denise Northrup
Interim Director



Lynne Bajema
State Comptroller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

State of Oklahoma

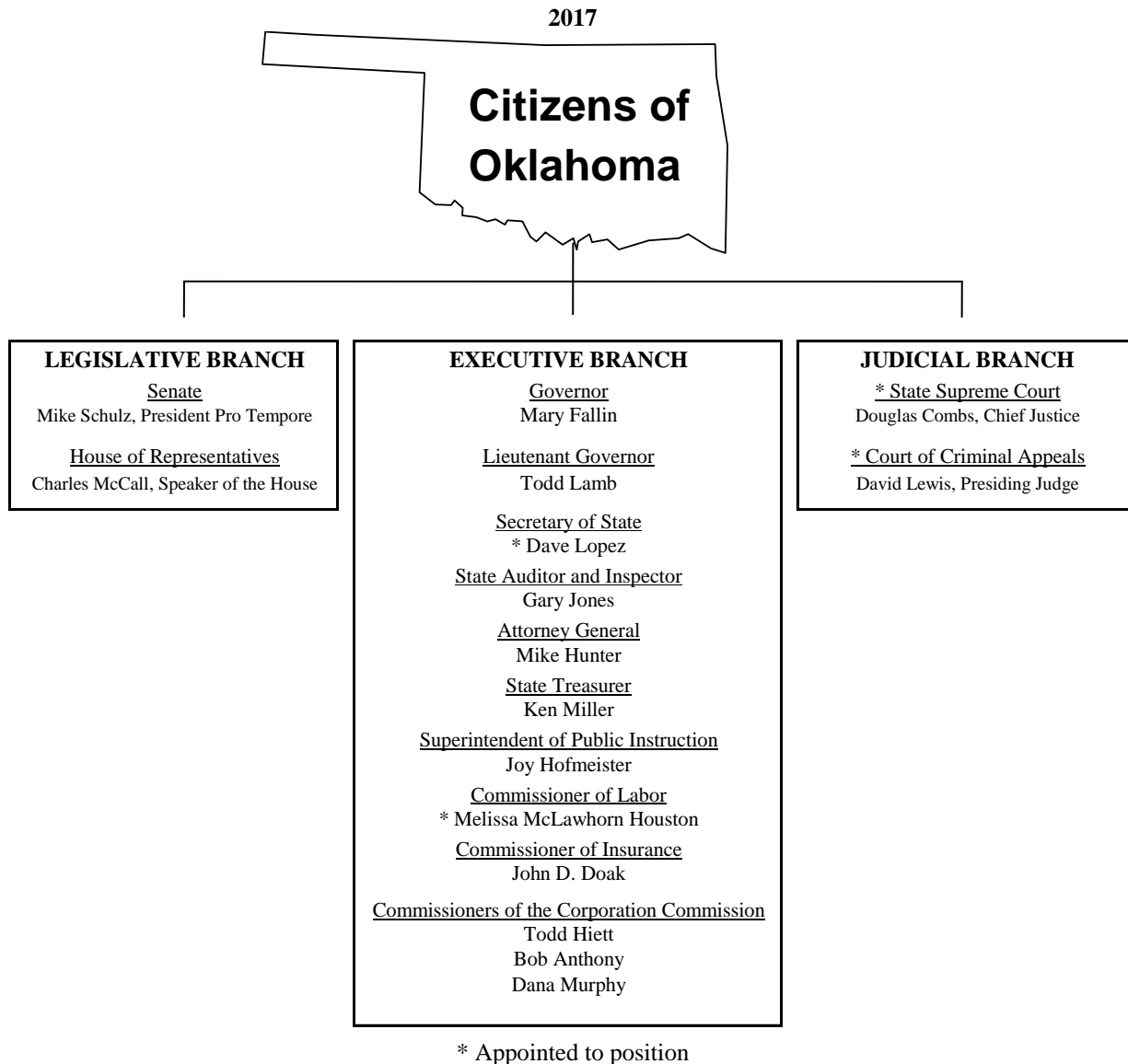
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016



Executive Director/CEO

Selected Oklahoma State Officials



CABINET DEPARTMENT SECRETARIES

Agriculture	Finance, Administration, &	Science & Technology
Commerce	Information Technology	Secretary of State
Education & Workforce	Health & Human Services	Tourism
Development	Military	Transportation
Energy & Environment	Safety & Security	Veterans Affairs

The cabinet secretaries are appointed by the governor with the approval of the Senate. Many of the secretaries are also heads of the executive branch agencies. State agencies are assigned to a cabinet department by the governor. The specific agency assignments to each cabinet are shown on the next page. Agency numbers are listed to the left of the agency name.

State Agencies by Cabinet

305	Office of the Governor	150	Univ. of Science and Arts of Okla.	092	Tobacco Settle. End. Trust Bd. of Dir.
440	Office of the Lieutenant Governor	41	Western Oklahoma State College	753	Uniform Building Code Commission
				825	University Hospitals Authority
	<u>Agriculture</u>		<u>Energy and Environment</u>		<u>Military</u>
40	Agriculture, Department of	185	Corporation Commission *	25	Military Department
39	Boll Weevil Eradication Org.	359	Energy Resources Board		
645	Conservation Commission	292	Dept. of Environmental Quality		<u>Safety and Security</u>
790	Veterinary Medical Examiners Board	980	Grand River Dam Authority	30	ABLE Commission
353	Horse Racing Commission	307	Interstate Oil Comp. Com.	49	Attorney General *
		445	LPG Board	772	Chem. Tests for Alc/Drug Infl., Bd. of
	<u>Commerce and Tourism</u>	444	LPG Research, Marketing and Safety	477	Narcotics & Dang. Drugs, Bureau of
55	Arts Council	125	Mines, Department of	309	Emergency Mgmt, Dept. of
160	Commerce, Department of	981	Municipal Power Authority	131	Corrections Department
290	Employment Security Commission	835	Water Resources Board	220	District Attorney's Council
350	Historical Society	320	Wildlife Conservation, Dept. of	47	Indigent Defense System
922	Housing Finance Authority			308	Investigation, Bureau of
370	Industrial Finance Authority		<u>Finance, Admin., and Info Tech.</u>	415	Law Enf. Educ. & Trng., Council on
204	J.M. Davis Memorial Commission	22	Abstractor's Board	342	Medicolegal Investigations, Bd. of
405	Labor, Department of *	20	Accountancy Board	306	Pardon and Parole Board
620	Qtz Mtn. Arts/Conf. Cntr/Nat. Pk.	300	Auditor & Inspector *	585	Public Safety, Department of
566	Tourism & Recreation, Dept. of	65	Banking Department	310	Fire Marshal, State
		582	Bond Advisor		
	<u>Education and Workforce Dev.</u>	91	Building Bonds Commission		<u>Science and Technology</u>
44	Anatomical Board	915	Capital Investment Board	628	Center f/t Adv. of Sci. & Technology
800	Career & Technology Education	170	Construction Industries Bd.	346	Space Industry Development Auth.
266	Educational TV Authority	635	Consumer Credit, Comm. For		
265	Education, Department of *	900	Development Finance Authority		<u>Sec. of State and Native American Af</u>
275	Educ. Qual. & Account., Comm. For	315	Firefighters Pension & Retirement	45	Architects, Board of Gov. of Licensed
619	Physicians Manpower Trng. Comm.	385	Insurance Department *	270	Election Board
563	Private Vocational School, Board of	410	Land Office, Commissioners of the	296	Ethics Commission
605	Regents for Higher Education	416	Law Enforcement Retirement	678	Judicial Complaints, Council on
629	School of Science & Mathematics	435	Lottery Commission	430	Library Department
618	Student Loan Authority	90	Office of Mgmt & Enterprise Services	391	Multiple Injury Trust Fund
	<u>Colleges and Universities:</u>	298	Merit Protection Commission	361	Native American Cultural/Ed. Auth
100	Cameron University	475	Motor Vehicle Commission	570	Prof. Engin. & Land Surveyors Bd.
108	Carl Albert State College	557	Police Pension & Retirement System	588	Real Estate Commission
165	Connors State College	515	Public Employees' Retirement System	625	Secretary of State
230	East Central University	630	Securities Commission	675	Self-Insurance Guarantee Board
240	Eastern Oklahoma State College	695	Tax Commission	369	Workers' Compensation Court
420	Langston University	715	Teachers Retirement System		
470	Murray State College	740	Treasurer *		<u>Transportation</u>
480	Northeastern Okla. A & M College	755	Used Motor Vehicle & Parts	060	Aeronautics Commission
485	Northeastern State University			978	Okla. Turnpike Authority
490	Northern Oklahoma College		<u>Health and Human Services</u>	345	Transportation, Department of
505	Northwestern Oklahoma State Univ.	448	Alcohol and Drug Coun., Bd. of Lic.		
530	Oklahoma Panhandle State Univ.	148	Behavioral Health Lic., Board of		<u>Veterans Affairs</u>
10	Oklahoma State University	127	Children & Youth, Commission	650	Veterans Affairs, Department of
761	Oklahoma University Law Center	145	Chiropractic Examiners Board		
633	Oklahoma City Community College	783	Community Hospitals Authority		
770	Okla. University Health Science Ctr.	190	Cosmetology and Barbering Board		
773	OSU -College of Osteopathic Medicine	215	Dentistry, Board of		
14	OSU -College of Veterinary Medicine	285	Funeral Board		
11	OSU -Experiment Station	326	Disability Concerns, Office of		
12	OSU -Extension Division	807	Health Care Authority		
13	OSU -School of Tech. Training	340	Health, Department of		
15	OSU -Technical Institute of OKC	830	Human Services, Department of		
16	OSU -Tulsa	670	J.D. McCarty Center		
771	OU Health Sci. Ctr. Prof. Prac. Plan	400	Juvenile Affairs, Office of		
241	Redlands Community College	450	Medical Licensure & Supv., Bd. of		
610	Regional University System of Ok	452	Mental Health and Sub. Abuse Svc.		
461	Rogers State University	510	Nursing Board		
531	Rose State College	509	Long-Term Care Admin., Bd. of Exam.		
606	University Center Of Southern Ok	775	Oklahoma State Univ. Medical Auth.		
623	Seminole State College	520	Optometry Board		
660	Southeastern Oklahoma State Univ.	525	Osteopathic Examiners Board		
665	Southwestern Oklahoma State Univ.	343	Perfusionists, State Bd. of Examiners		
750	Tulsa Community College	560	Pharmacy Board		
758	University Center at Ponca City	140	Podiatric Medical Examiners, Bd. Of		
0	University of Central Oklahoma	575	Psychologists, Bd. of Examiners		
0	University of Oklahoma	805	Rehabilitation Services		
5	University of Oklahoma - Tulsa	622	Social Workers Board, Bd. of Lic.		
		632	Speech-Lang. Pathology & Aud. Bd.		

* Agency is headed by a statewide elected official or their controlling board is made up of elected officials. They are assigned to a cabinet department for purposes of coordinating services and programs only.

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“ON THE CHISHOLM TRAIL”

is a tribute to the American cowboy who drove millions of longhorn cattle from Texas to Kansas, crossing Oklahoma. Longhorn fed on native grasses and drank from fresh streams as they passed through what is today Stephens County and Duncan, Oklahoma. This monument was the inspiration of Thomas H. McCasland, Jr., sculpted by Paul Moore, and is one of the largest monuments in America dedicated to the Chisholm Trail.

Source: Plaque on monument located at Chisholm Trail Heritage Center located in Duncan, OK.

FINANCIAL SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

INDEPENDENT AUDITOR'S REPORT

TO THE GOVERNOR AND MEMBERS OF THE LEGISLATURE OF THE STATE OF OKLAHOMA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

- the financial statements of the Water Resources Board which represent fifty percent of the assets, thirty-three percent of the net position and three percent of the revenues of the proprietary funds;
- the financial statements of the Oklahoma Municipal Power Authority, University of Oklahoma, University of Oklahoma – Health Sciences Center, Oklahoma State University – Foundation, Grand River Dam Authority, Oklahoma State University, Oklahoma Turnpike Authority, University of Oklahoma – Foundation, the Regents for Higher Education, and the Regional University System of Oklahoma which in the aggregate represent eighty-four percent of the assets, ninety-one percent of the net position and seventy-nine percent of the revenues for the aggregate discretely presented component units;
- the financial statements of the Commissioners of the Land Office permanent fund, and the Tobacco Settlement Endowment permanent fund, which in the aggregate represent ninety-eight percent of the assets, ninety-eight percent of the fund balance and ninety-nine percent of the revenues of the permanent funds;
- the financial statements of the Oklahoma Public Employees Retirement System, the Oklahoma Teachers Retirement System, and the Oklahoma Firefighters Pension and Retirement System which in the aggregate represent eighty-seven percent of the assets, eighty-eight percent of the net position and ninety percent of the additions of the aggregate remaining fund information;
- the financial statements of the Insurance Department, Department of Wildlife, Department of Commerce, and Oklahoma Capital Improvement Authority which in the aggregate represent seventeen percent of the assets, twenty-three percent of the fund balance and three percent of the revenues of the general fund.

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the above-mentioned entities, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the Multiple Injury Trust Fund (MITF) had a net deficit or negative net position of approximately \$420,877,000 at December 31, 2016 primarily due to court awards exceeding the apportionment of special tax revenue collected.

As discussed in Note 1, the State of Oklahoma has adopted the provisions of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*; GASB Statement No. 77, *Tax Abatement Disclosures*; GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*; GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*; GASB Statement No. 80, *Blending Requirements for Certain Component Units*; and GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73* effective July 1, 2016.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule-Budget to Actual (Non-GAAP Budgetary Basis) General Fund, the Notes to Required Supplementary Information-Budgetary Reporting, and the Pension Schedules Required by GASB 68 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Oklahoma's basic financial statements. The introductory section, combining financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017, on our consideration of the State of Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Oklahoma's internal control over financial reporting and compliance.

A handwritten signature in blue ink, reading "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

December 21, 2017

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MANAGEMENT DISCUSSION & ANALYSIS



MANAGEMENT DISCUSSION & ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the State of Oklahoma provides this *Management's Discussion and Analysis* of the State of Oklahoma's Comprehensive Annual Financial Report (CAFR) for readers of the state's financial statements. This narrative overview and analysis of the financial activities of the State of Oklahoma is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the additional information that is furnished in the Letter of Transmittal, which can be found preceding this narrative, and with the state's financial statements which follow.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Government-Wide Highlights:

Net Position - The assets plus deferred outflows of resources of the state exceeded its liabilities and deferred inflows of resources at fiscal year ending June 30, 2017, by \$18.9 billion (presented as "net position"). Of this amount, \$2.0 billion was reported as "unrestricted net position". Unrestricted net position represents the amount available to be used to meet the state's ongoing obligations to citizens and creditors.

Changes in Net Position - The state's total net position increased by \$461.1 million (a 2.5% increase) in fiscal year 2017 after a 3.6% decrease during the previous fiscal year. Net position of governmental activities increased by \$502.3 million (a 3.1% increase), while net position of the business-type activities showed a decrease of \$41.2 million (a 2.1% decrease).

Fund Highlights:

Governmental Funds - Fund Balances - As of the close of fiscal year 2017, the state's governmental funds reported a combined ending fund balance of \$6.7 billion, an increase of \$48.1 million in comparison with the prior year. Of this total amount, \$3.6 billion represents nonspendable fund balance, with \$78.6 million being in the General Fund. Amounts that can be spent include \$790.1 million of restricted fund balance, \$2.3 billion of committed fund balance, \$53.2 million of assigned fund balance, and \$23.3 million of unassigned fund balance. The portion of fund balance which is available is roughly 18.0% of the total governmental expenditures for the year.

Long-term Debt:

The state's total long-term debt obligations showed a net increase of \$112.9 million (8.9%) in the governmental type activities and a net decrease of \$13.0 million (1.5%) in the business type activities during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State of Oklahoma's Basic Financial Statements. The state's Basic Financial Statements include three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains additional Required Supplementary Information (budgetary schedules) and Other Supplementary Information (Combining Financial Statements) in addition to the Basic Financial Statements themselves. These components are described below:

Basic Financial Statements

The Basic Financial Statements include two kinds of financial statements that present different views of the state – the *Government-Wide Financial Statements* and the *Fund Financial Statements and Combining Major Component Unit Financial Statements*. These financial statements also include the *Notes to the Financial Statements* that explain some of the information in the financial statements and provide more detail.

Government-Wide Financial Statements

The *Government-Wide Financial Statements* provide a broad view of the state's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the state's financial

position, which assists in assessing the state's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This means they follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The Government-Wide Financial Statements include two statements:

The *Statement of Net Position* presents all of the government's assets and liabilities in addition to deferred inflows and outflows, with the difference between the four reported as "net position". Over time, increases or decreases in the state's net position may serve as a useful indicator of whether the financial position of the state is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the state.

Both of the above financial statements have separate sections for three different types of state programs or activities. These three types of activities are:

Governmental Activities – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal grants). Most services normally associated with state government fall into this category, including education (support for both common public schools and higher education), government administration, health services, legal and judiciary services, museums, natural resources, public safety and defense, regulatory services, social services, and transportation.

Business-Type Activities – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the state include the operations of the Oklahoma Unemployment Insurance Trust Fund (by the Oklahoma Employment Security Commission), the state's program for making loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems (by the Oklahoma Water Resources Board), administering the insurance benefits for state employees and education workers (by the Employees Group Insurance Department of the Office of Management and Enterprise Services), and the Oklahoma Lottery Commission. These four programs operate with minimal assistance from the governmental activities of the state.

Discretely Presented Component Units – These are operations that have certain independent qualities but for which the state has financial accountability. For the most part, these entities operate similar to private-sector businesses and the business-type activities described above. The state's discretely presented component units are presented in two categories, major and nonmajor. This separation is determined by the relative size of the entities' assets, liabilities, revenues and expenses in relation to the total of all component units.

The state's six discretely presented major component units are:

- Oklahoma Student Loan Authority
- Oklahoma Housing Finance Agency
- Oklahoma Turnpike Authority
- Grand River Dam Authority
- Oklahoma Municipal Power Authority
- Higher Education Component Unit

The state's seven other (or nonmajor) component units are combined into a single column for reporting in the Fund Financial Statements. These nonmajor component units are:

- Oklahoma Educational Television Authority
- Oklahoma Industrial Finance Authority
- Multiple Injury Trust Fund
- University Hospitals Authority
- Oklahoma Development Finance Authority

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about the state's component units are presented in the Notes to the Financial Statements.

The Government-Wide Financial Statements can be found immediately following this discussion and analysis.

Fund Financial Statements and Major Component Unit Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The state, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Fund Financial Statements focus on individual parts of the state government, reporting the state's operations in more detail than the Government-Wide Financial Statements. All of the funds of the state can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The three categories of funds are:

Governmental Funds Financial Statements – Most of the basic services provided by the state are financed through governmental funds. Governmental funds are essentially used to account for the same functions as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, the Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This is known as using the flow of current financial resources measurement focus approach and the modified accrual basis of accounting. These statements provide a detailed short-term view of the state's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the state.

Because the focus of governmental funds is narrower than the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances both provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each Governmental Fund Financial Statement.

The state has four governmental funds. All four governmental funds are considered major funds for financial reporting purposes. These four major funds are – the General Fund, the Commissioners of the Land Office Permanent Fund, the Department of Wildlife Conservation Permanent Fund, and the Tobacco Settlement Endowment Permanent Fund. Each major fund is presented in a separate column in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances.

The basic Governmental Funds Financial Statements can be found immediately following the Government-Wide Financial Statements.

Proprietary Funds Financial Statements – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds provide the same type of information as the Government-Wide Financial Statements, only in more detail. Like the Government-Wide Financial Statements, Proprietary Fund Financial Statements use the accrual basis of accounting. There is no reconciliation needed between the Government-Wide Financial Statements for business-type activities and the Proprietary Fund Financial Statements.

The state has four enterprise funds, with all four being considered major proprietary funds for presentation purposes. As previously mentioned, they are the operations of the Oklahoma Unemployment Insurance Trust Fund (by the Oklahoma Employment Security Commission), the state's program for making loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems (by the Oklahoma Water

Resources Board), the administration of insurance benefits for state employees by the Employees Group Insurance Department (EGID) of the Office of Management and Enterprise Services, and the Oklahoma Lottery Commission.

The basic Proprietary Funds Financial Statements can be found immediately following the Governmental Fund Financial Statements.

Fiduciary Funds and Similar Component Units Financial Statements – These funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the resources of these funds are not available to support the state’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. They use the accrual basis of accounting.

The state’s fiduciary funds are the Pension Trust Funds (seven separate retirement plans for employees), and the Agency Funds (which account for the assets held for distribution by the state as an agent for other governmental units, other organizations or individuals). Individual fund detail can be found in the Combining Financial Statements described below.

The basic Fiduciary Funds and Similar Component Units’ Financial Statements can be found immediately following the Proprietary Fund Financial Statements.

Component Units Financial Statements – As mentioned above, these are operations for which the state has financial accountability but they have certain independent qualities as well, and they operate similar to private-sector businesses. The Government-Wide Financial Statements present information for the component units in a single column of the Statement of Net Position. Also, some information on the Statement of Activities is aggregated for component units. The Combining Statement of Net Position and Combining Statement of Activities provide detail for each major component unit and the nonmajor component units in aggregate. Individual nonmajor component unit detail can be found in the Combining Financial Statements described below.

The basic Combining Financial Statements for major component units can be found immediately following the Fiduciary Fund and Similar Component Unit’s Financial Statements.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to the Financial Statements can be found immediately following Component Units Financial Statements.

Required Supplementary Information and Budget Schedule

The Basic Financial Statements are followed by a section of Required Supplementary Information. This section includes the Budgetary Comparison Schedule – Budget to Actual (Non-GAAP Budgetary Basis), which includes a schedule of reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the Governmental Fund Financial Statements. In addition, schedules required by Government Accounting Standards Board (GASB) Statement 68 are included.

Combining Financial Statements

The Combining Financial Statements referred to earlier in connection with fiduciary funds and nonmajor component units are presented following the Required Supplementary Information. The total of the columns of these Combining Financial Statements carry to the applicable fund financial statement.

Budgetary Detail

The Schedule of Expenditures and Intra-Agency Transfers – Detail Budget to Actual Comparison is presented in this section. It provides detail comparisons of expenditures and intra-agency transfers at the legal level of control. Comparisons can be made between the original budget, final budget, and actual.

Pension Detail

With the implementation of GASB Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, certain information related to Net Pension Liability and funding of pension plans is reported in the Required Supplementary Information section.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. The state's combined net position (government and business-type activities) totaled \$18.9 billion at the end of 2017, compared to \$18.4 billion at the end of the previous year.

The largest portion of the state's net position (58.5%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related outstanding debt used to acquire those assets. The state uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the state's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current Assets	\$ 4,485,880	\$ 4,610,422	\$ 1,775,089	\$ 1,874,991	\$ 6,260,969	\$ 6,485,413
Capital Assets	11,933,878	11,601,449	2,477	2,856	11,936,355	11,604,305
Other Assets	4,033,872	3,848,026	1,239,135	1,225,640	5,273,007	5,073,666
Total Assets	20,453,630	20,059,897	3,016,701	3,103,487	23,470,331	23,163,384
Deferred Outflows	1,094,712	343,098	6,771	2,177	1,101,483	345,275
Noncurrent Liabilities	2,386,525	1,672,657	824,717	716,865	3,211,242	2,389,522
Other Liabilities	1,932,265	1,892,938	236,000	383,453	2,168,265	2,276,391
Total Liabilities	4,318,790	3,565,595	1,060,717	1,100,318	5,379,507	4,665,913
Deferred Inflows	320,943	431,105	4,284	5,704	325,227	436,809
Net investment in Capital Assets	11,031,695	10,868,758	2,477	2,856	11,034,172	10,871,614
Restricted	4,392,708	4,140,040	1,423,476	1,468,588	5,816,184	5,608,628
Unrestricted	1,484,206	1,397,497	532,518	528,198	2,016,724	1,925,695
Total Net Position	\$ 16,908,609	\$ 16,406,295	\$ 1,958,471	\$ 1,999,642	\$ 18,867,080	\$ 18,405,937

A portion of the state's net position (30.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the state's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net position.

At the end of the current fiscal year, the state is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Changes in Net Position

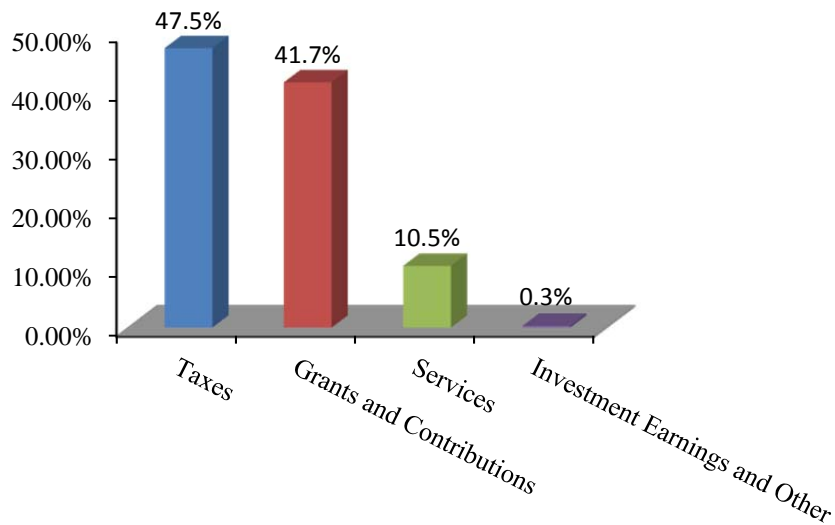
The state's governmental net position increased by \$461.1 million, or 2.5%. Approximately 48% of the state's total revenue came from taxes, while 42% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 10% of the total revenues. The state's expenses cover a range of services. The largest expenses were for health services, general education, and social services. In 2017, governmental activity expenses exceeded program revenues, resulting in the use of \$7.8 billion in general revenues (mostly taxes). The business-type activities' program revenues exceeded their expenses for 2017 by \$24.3 million.

State of Oklahoma's Changes in Net Position-Primary Government

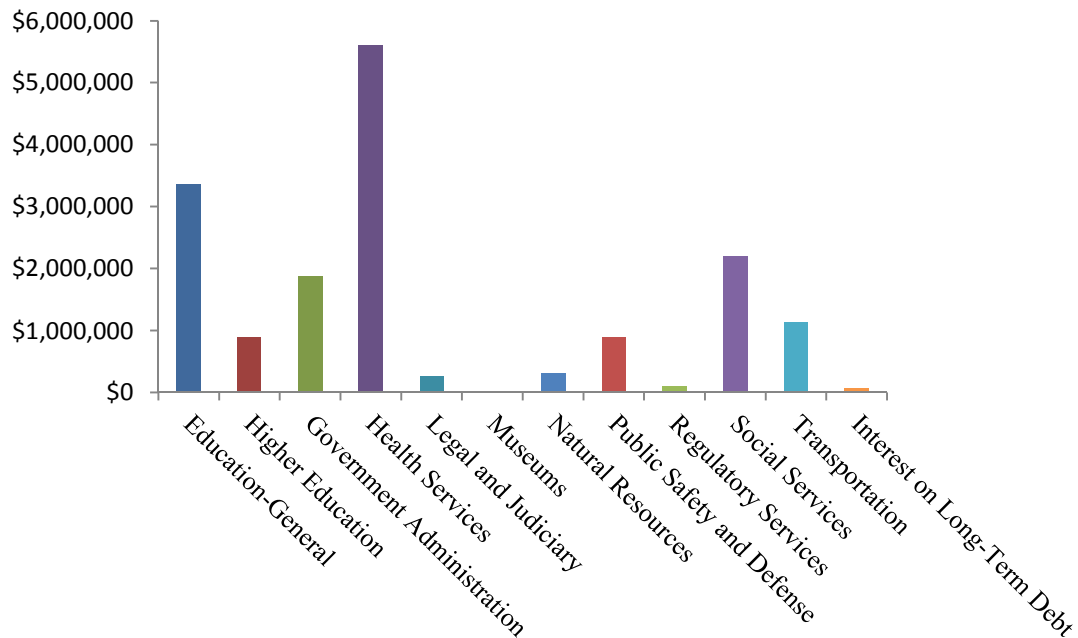
(expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,790,348	\$ 1,652,175	\$ 1,499,669	\$ 1,490,046	\$ 3,290,017	\$ 3,142,221
Operating Grants and Contributions	7,131,617	6,785,553	9,031	8,302	7,140,648	6,793,855
General Revenues:						
Income Taxes-Individual	2,948,867	2,944,246	-	-	2,948,867	2,944,246
Income Taxes-Corporate	169,638	333,838	-	-	169,638	333,838
Sales Taxes	2,460,237	2,481,242	-	-	2,460,237	2,481,242
Gross Production Taxes	412,899	326,608	-	-	412,899	326,608
Motor Vehicle Taxes	757,223	761,051	-	-	757,223	761,051
Fuel Taxes	432,779	432,606	-	-	432,779	432,606
Other Taxes	950,305	953,097	-	-	950,305	953,097
Investment Earnings	53,157	60,792	-	-	53,157	60,792
Capital Lease and COPs	-	-	-	-	-	-
Total Revenues	17,107,070	16,731,208	1,508,700	1,498,348	18,615,770	18,229,556
Expenses:						
Education-General	3,361,645	3,434,950	-	-	3,361,645	3,434,950
Education-Payments to Higher Education	889,389	942,707	-	-	889,389	942,707
Government Administration	1,870,606	2,115,638	-	-	1,870,606	2,115,638
Health Services	5,613,009	5,710,985	-	-	5,613,009	5,710,985
Legal and Judiciary	267,320	262,081	-	-	267,320	262,081
Museums	11,316	12,502	-	-	11,316	12,502
Natural Resources	318,494	290,366	-	-	318,494	290,366
Public Safety and Defense	895,929	859,421	-	-	895,929	859,421
Regulatory Services	97,804	192,954	-	-	97,804	192,954
Social Services	2,199,151	2,358,693	-	-	2,199,151	2,358,693
Transportation	1,128,688	1,103,670	-	-	1,128,688	1,103,670
Interest on Long-Term Debt	76,321	78,130	-	-	76,321	78,130
Unemployment Insurance Trust Fund	-	-	320,111	395,192	320,111	395,192
State Loan Program to Local Governments	-	-	34,932	34,673	34,932	34,673
Group Insurance Program	-	-	1,031,753	1,051,966	1,031,753	1,051,966
Lottery Commission	-	-	97,619	121,139	97,619	121,139
Total Expenses	16,729,672	17,362,097	1,484,415	1,602,970	18,214,087	18,965,067
Increase (Decrease) in Net Position Before Transfers and Contribution to Permanent Funds	377,398	(630,889)	24,285	(104,622)	401,683	(735,511)
Contribution to Permanent Funds	59,460	58,810	-	-	59,460	58,810
Transfers	65,456	78,979	(65,456)	(78,979)	-	-
Change in Net Position	502,314	(493,100)	(41,171)	(183,601)	461,143	(676,701)
Net Position, Beginning of Year	15,984,656	17,052,928	1,999,642	2,186,198	17,984,298	19,239,126
Adjustments to Beginning Net Position	421,639	(153,533)	-	(2,955)	421,639	(156,488)
Net Position, End of Year	\$ 16,908,609	\$ 16,406,295	\$ 1,958,471	\$ 1,999,642	\$ 18,867,080	\$ 18,405,937

**Revenues – Governmental Activities
Fiscal Year 2017**



**Expenses – Governmental Activities
Fiscal Year 2017**
(expressed in thousands)



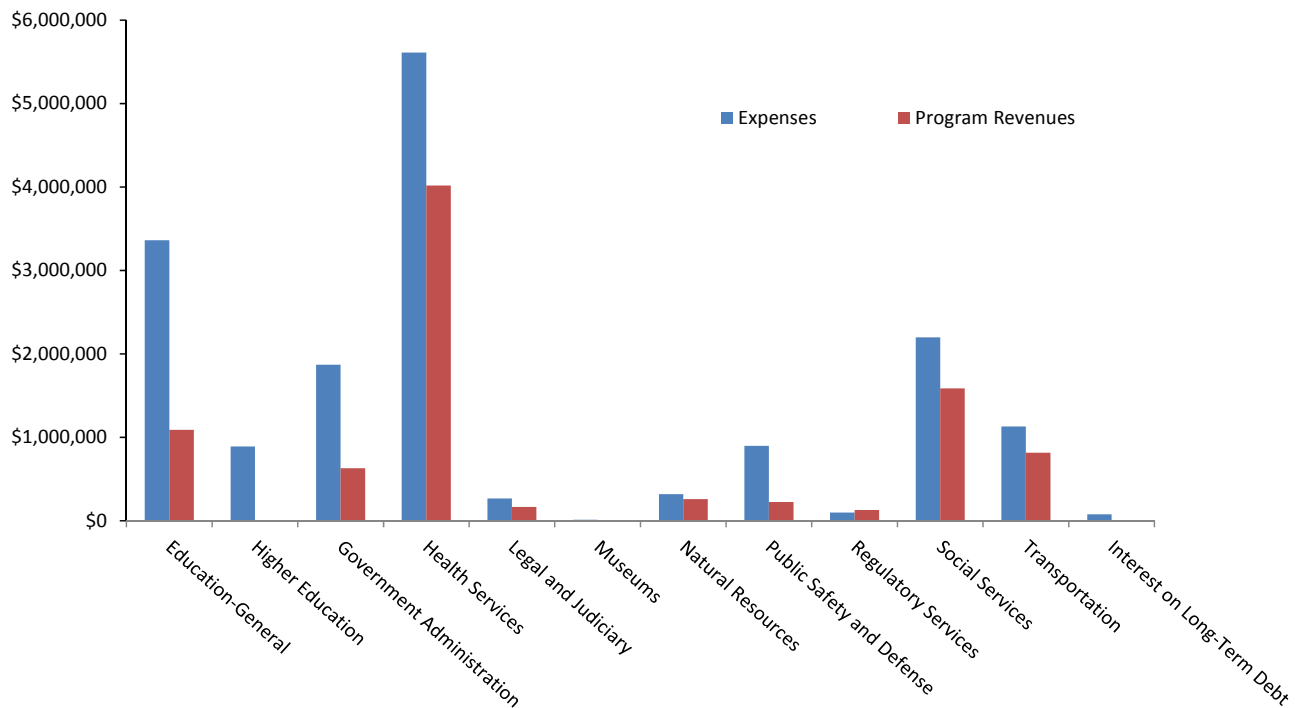
Governmental Activities

Governmental activities increased the state's net position by \$502.3 million. Tax revenues were down in three of the five major types. Total revenues for governmental activities were up by \$375.9 million, or 2.2%, in 2017. The state showed a \$4.6 million increase in individual income taxes, a \$21.0 million decrease in sales taxes, a \$3.8 decrease in motor vehicle taxes, a \$164.2 million decrease in corporate income taxes, and a \$86.3 million increase in gross production taxes during 2017. Additionally, there was a \$346.1 million increase in Federal Grant revenue.

A comparison of the cost of services by function for the state's governmental activities is shown below, along with the revenues used to cover the net expenses of the governmental activities (expressed in thousands):

	Governmental Activities
Expenses Net of Program Revenues:	
Education-General	\$ (2,271,414)
Education-Payment to Higher Education	(889,389)
Government Administration	(1,242,689)
Health Services	(1,595,689)
Legal and Judiciary	(102,259)
Museums	(7,826)
Natural Resources	(60,414)
Public Safety and Defense	(670,020)
Regulatory Services	32,029
Social Services	(611,622)
Transportation	(312,093)
Interest on Long-Term Debt	(76,321)
Total Governmental Activities Expenses	(7,807,707)
General Revenues:	
Taxes	8,131,948
Investment Earnings	53,157
Contributions to Permanent Funds	59,460
Transfers	65,456
Increase in Governmental Activities Net Position	\$ 502,314

Expenses and Program Revenues – Governmental Activities
Fiscal Year 2017
(expressed in thousands)



Business-Type Activities

The business-type activities decreased the state's net position by \$41.2 million, a 2.1% decrease, to \$2.0 billion. This decrease comes after a decrease of 8.4% in the prior year. The decrease primarily resulted from The Oklahoma Unemployment Insurance Trust Fund's (OUITF) benefit payments exceeding the unemployment insurance tax receipts and a \$6.8 million increase in incurred claims by Employee's Group Insurance Department of the Office of Management and Enterprise Services (EGID). The OUITF net position decreased by \$48.1 million, the Oklahoma Water Resources Board's (OWRB) net position increased by \$11.0 million, the EGID decreased \$5.3 million, and the Oklahoma Lottery Commission had an increase in net position of \$1.2 million.

FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

As noted earlier, the state uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the state's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the state's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the state's governmental funds reported combined ending fund balances of \$6.7 billion, an increase of \$48.1 million from the prior year. The largest portion \$3.6 billion (53.2%) of this total amount constitutes nonspendable fund balance, which includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. In addition \$790.1 million (11.7%) of fund balance is classified as restricted meaning that the funds can only be used for specific purposes defined by enabling legislation or externally imposed limitations. Amounts that can only be used for specific purposes pursuant to constraints of the government's highest level of decision-making authority are reported as committed fund balance. Committed fund balance represents \$2.3 billion (33.9%) of total fund balance. Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted, nor committed, are reported as assigned fund balance. Assigned fund balance represents \$53.2 million (0.8%) of total fund balance. The remaining funds that are not classified in any of the other four categories represent unassigned fund balance. For the fiscal year ended June 30, 2017 the state has \$23.3 million (0.3%) classified as unassigned fund balance.

The General Fund is the chief operating fund of the state. At the end of the current fiscal year, the total fund balance decreased \$230.3 million to \$3.1 billion. This 7.3% decrease is from the depletion of cash as reserves have been used to meet budgetary shortfalls.

As a measure of the General Fund's liquidity, it may be useful to compare the portion of fund balance not classified as nonspendable (spendable) and total fund balance to total fund expenditures. Spendable fund balance represents 18.0% of total Governmental Fund expenditures, while total fund balance represents 38.5% of that same amount.

The Commissioners of the Land Office manages land and cash set aside by the Federal Government for the use and benefit of public education in Oklahoma to generate maximum earnings for Trust beneficiaries. The Trust beneficiaries are common education and thirteen Oklahoma colleges and universities. This year total program revenues were \$322.8 million compared to \$87.6 million for the prior year. Distributions to beneficiaries totaled \$143.6 million for fiscal year 2017 with \$35.9 million disbursed to universities and colleges and \$103.4 million disbursed to public schools, and \$4.4 million disbursed for public buildings. This was an increase of \$11 million from the apportionments of fiscal year 2016.

The Department of Wildlife's Lifetime Licenses' fund balance increased by 2.5% to \$85.7 million. This increase occurred due to collections for licenses.

The Tobacco Settlement Endowment Permanent Fund holds certain moneys that are received in settlement of claims by the state against tobacco manufacturers. Earnings from these moneys are to be utilized for research, education, prevention and treatment of tobacco related diseases and certain other health programs. This fund reported a \$117.4 million net increase in fund balance with \$58.4 million coming in from the settlement payment by tobacco manufacturers for 2017. The prior year's payment was about \$56.1 million. The state now has \$1.3 billion in this permanent fund.

Proprietary Funds

The state's Proprietary Fund Financial Statements provide the same type of information found in the Government-Wide Financial Statements for business-type activities. This information is presented on the same basis of accounting, but provides more detail.

As discussed in the business-type activities section above, the state's net position decreased by \$41.2 million as a result of operations in the proprietary funds. This resulted from a \$48.1 million decrease in net position by the Oklahoma Unemployment Insurance Trust Fund (OUITF), an increase in net position of \$11.0 million by the Oklahoma Water Resources Board's (OWRB) program for making loans to local government units for drinking and waste water facilities, a decrease of \$5.3 million by the Employees Group Insurance Department of the Office of Management and Enterprise Services (EGID) for insurance benefit administration, and an increase in net position of \$1.2 million by the Oklahoma Lottery Commission.

The OUITF decreased in net position primarily as a result of a higher benefit payments over the unemployment insurance tax receipts

The OWRB increased net position by \$11.0 million which was \$21.7 million less than the \$32.7 million in the prior year.

The EGID decreased net position by \$5.3 million. This was primarily due to \$6.8 million increase in incurred claims.

GENERAL FUND BUDGETARY HIGHLIGHTS

The differences between the original budget and the final amended budget amounted to \$174.7 million with \$49.3 million (28.2%) coming from budget carryovers from fiscal year 2016. To reimburse school districts for ad valorem tax shortfalls related to state property, the Department of Education was transferred \$70 million (40.1%). For debt services related to repairs to the Capitol building, the Office of Management and Enterprise Services was granted an additional \$14.4 (8.2%) in funds. The remaining \$41 million (23.5%) was attributable to supplemental appropriations to the Department of Human Services (\$34.0), Department of Public Safety (\$5.0), University Hospitals Authority (\$1.0), Indigent Defense System (\$0.7) and Historical Society (\$0.3).

The difference between the final budget and the actual collections amounted to \$282.3 million less than the budget. Due to economic factors related to the economic downturn suffered by the state, this variance was not unexpected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The state's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$23.5 billion, net of accumulated depreciation of \$11.6 billion, leaving a net book value of \$11.9 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the state's investment in capital assets for the current fiscal year was about 2.9% in terms of net book value. Actual expenditures to purchase or construct assets that are capitalized were \$939.6 million for the year, an \$8.5 million (0.9%) decrease from the prior year. Most of this amount was used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$559.1 million. Additional information on the state's capital assets can be found in Note 5 of the Notes to the Financial Statements of this report.

Debt Administration

The authority of the state to incur debt is described in Article X, Section 25, of the Oklahoma Constitution. In 1987, the state created the Council of Bond Oversight. The Council meets to review all proposed debt issuances. The Council must approve each financing plan before obligations are issued. The legislation that created the Council of Bond Oversight also created the position of State Bond Advisor, who advises the Council and must approve the pricing and fees associated with any debt issuance.

General obligation bonds are backed by the full faith and credit of the state, including the state's power to levy additional taxes to ensure repayment of the debt. Accordingly, all general obligation debt currently outstanding was approved by a vote of the citizens. The general obligation bonds of the state are rated "Aa2" by Moody's Investors Service, "AA" by Fitch Investors Service, and "AA" by Standard & Poor's Corp. Before a 1993 general obligation bond program, except for refunding bonds, the state last issued general obligation bonds in 1968. Certain maturities of those bonds were advance refunded in 1977, 2003, 2011 and again in 2013.

The State of Oklahoma's total debt increased by \$112.9 million, or 8.9%, during the current fiscal year. Business-type activities' debt decreased by \$13.0 million, or 1.5%.

Additional information on the state's long-term debt obligations can be found in Notes 9, 10, and 11 of the Notes to the Financial Statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Oklahoma unemployment rate was consistently lower than that for the nation between 1997 and 2015. However, the national unemployment rate is currently 4.1% while Oklahoma's has surpassed that at 4.4% for the same time period.

Inflationary trends in the region continue to compare favorably to national indices.

These factors are considered by legislative leaders and management in preparing the state's budget for future years. (See below.)

Budget and Revenue Collections

The State Constitution requires adoption of a balanced budget. The revenue certification provided by the State Board of Equalization is the basis for development of the state's General Revenue Fund (GRF) budget. The GRF is a budgetary cash account included in the state's General Fund.

If new laws or changes in existing laws are passed that affect revenues, the Equalization Board meets to certify the effects of these changes on the official estimate. Appropriations in any fiscal year may not exceed 95% of the official revenue estimate (plus any cash funds on-hand and available for appropriation).

If collections to a certified cash account are insufficient to cover the appropriations from that account, the Constitution requires that appropriations be reduced proportionately to all agencies receiving an appropriation from that source. The Office of Management and Enterprise Services has the statutory duty to monitor revenue collections and, if warranted, to make reductions in appropriations to prevent deficit spending.

The Legislature may, in regular or special session, make selective reductions in spending or consider revenue increases.

Fiscal Year 2018

General Revenue Fund collections have shown signs of improvement through the first four months of fiscal year 2018. Total collections exceeded both prior year collections and budgeted estimates by 0.6 percent during October of 2017. This was driven by increased revenue from individual income tax, sales tax, motor vehicle tax and gross production taxes.

There are still concerns, however. Finding agreement on a solution for a projected \$650 million budget deficit has been a challenge. The budget initially adopted by the state Legislature for fiscal year 2018 had components voided by the state supreme court. A special session called by the governor ended with a budget that was largely vetoed, leaving the likelihood that an additional special legislative session will be necessary.

In addition, finances at the Oklahoma State Department of Health (OSDH), an agency included in the state general fund, have come under intense scrutiny. Cash flow shortages spurred significant action, including multiple investigative audits and significant turnover in leadership at the agency. The Secretary of Finance, Administration and Information Technology for the State of Oklahoma, Preston Doerflinger, has been appointed by the governor to lead OSDH as they work to stabilize their fiscal situation.

The State of Oklahoma has confidence that these challenges will be addressed, and that core services will continue to be funded.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Oklahoma's finances for all of Oklahoma's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the state's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: State of Oklahoma, Office of Management and Enterprise Services, 5005 N. Lincoln, Suite 100, Oklahoma City, OK 73105 or helpdesk@omes.ok.gov.



BASIC FINANCIAL STATEMENTS



GOVERNMENT - WIDE FINANCIAL STATEMENTS

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State of Oklahoma
Government-Wide Statement of Net Position
June 30, 2017
(expressed in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets				
Cash/Cash Equivalents	\$ 3,222,336	\$ 1,215,918	\$ 4,438,254	\$ 1,661,102
Investments	58,455	252,068	310,523	1,229,404
Securities Lending Investments	222,673	0	222,673	0
Accounts Receivable	51,795	90,844	142,639	646,321
Interest and Investment Revenue Receivable	14,660	15,815	30,475	13,862
Federal Grants Receivable	482,215	477	482,692	8,144
Taxes Receivable	294,846	78,055	372,901	0
Leases Receivable	4,877	0	4,877	0
Leases Receivable - Component Units	43,642	0	43,642	0
Other Receivables	221	3	224	42,013
Notes Receivable	0	70,273	70,273	11,865
Internal Balances	(128)	128	0	0
Receivable from External Parties	43	0	43	0
Due from Component Units	2,223	0	2,223	22,967
Due from Primary Government	0	0	0	51,347
Inventory	78,726	0	78,726	121,190
Prepaid Items	1,033	0	1,033	17,305
Other Current Assets	8,263	51,508	59,771	57,620
Total Current Assets	4,485,880	1,775,089	6,260,969	3,883,140
Noncurrent Assets				
Cash/Cash Equivalents, Restricted	78,052	29,396	107,448	493,307
Short Term Investments, Restricted	3,505,894	0	3,505,894	3,089,656
Long Term Investments	0	24,818	24,818	1,139,499
Long Term Investments, Restricted	0	54,315	54,315	0
Leases Receivable	14,829	0	14,829	0
Leases Receivables Component Units	340,782	0	340,782	0
Long-Term Notes Receivable, Net	0	1,126,170	1,126,170	46,292
Long-Term Notes Receivable, Net - Restricted	0	0	0	2,585
Net Pension Asset	17,293	0	17,293	0
Long-Term Due from Comp Units	53,263	0	53,263	0
Capital Assets-Depreciable, Net	9,923,239	2,477	9,925,716	7,504,847
Capital Assets-Land	1,799,992	0	1,799,992	440,581
Capital Assets-Construction in Progress	210,647	0	210,647	1,125,737
Other Noncurrent Assets	0	4,436	4,436	265,420
Other Noncurrent Assets-Restricted	23,759	0	23,759	967
Total Noncurrent Assets	15,967,750	1,241,612	17,209,362	14,108,891
Total Assets	20,453,630	3,016,701	23,470,331	17,992,031
Deferred Outflows				
Deferred Outflows from Pensions	1,093,186	4,284	1,097,470	748,230
Unamortized Loss on Bond Refundings	1,526	0	1,526	0
Lease Restructuring	0	0	0	3,566
Advance Refunding of Bonds	0	0	0	79,881
Defeasance of Bonds	0	2,487	2,487	35,139
Accumulated Decrease in Fair Value of Derivatives	0	0	0	52,352
Total Deferred Outflows	1,094,712	6,771	1,101,483	919,168

The Notes to the Financial Statements are an integral part of this statement.

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Liabilities				
Current Liabilities				
Accounts Payable and Accrued Liabilities	\$ 1,019,375	\$ 156,761	\$ 1,176,136	\$ 435,257
Unearned Revenue	114,039	2,015	116,054	181,900
Payable Under Securities Lending Agreements	222,673	0	222,673	0
Claims and Judgements	21,741	0	21,741	39,807
Interest Payable	27,540	8,407	35,947	59,262
Tax Refunds Payable	4,787	0	4,787	0
Payable to External Parties	71,199	1,218	72,417	850
Due to Component Units	47,254	3	47,257	23,227
Due to Primary Government	0	0	0	2,223
Due to Others	156,369	0	156,369	0
Capital Leases	1,103	0	1,103	52,606
Capital Leases-Primary Government	0	0	0	43,642
Compensated Absences	95,066	228	95,294	87,914
Notes Payable	8,085	0	8,085	115,099
General Obligation Bonds	27,345	0	27,345	0
Revenue Bonds (Net)	115,689	43,810	159,499	214,370
Other Current Liabilities	0	23,558	23,558	464,972
Total Current Liabilities	1,932,265	236,000	2,168,265	1,721,129
Noncurrent Liabilities				
Claims and Judgments	45,042	0	45,042	389,924
Due to Primary Government	0	0	0	53,263
Net Pension Liability	1,042,548	4,329	1,046,877	2,235,481
Capital Leases	0	0	0	890,884
Capital Leases-Primary Government	1,637	0	1,637	340,782
Compensated Absences	63,196	775	63,971	40,839
Notes Payable	8,490	0	8,490	134,063
General Obligation Bonds	28,530	0	28,530	40,000
Revenue Bonds (including Premiums)	1,196,161	810,218	2,006,379	4,660,609
Other Postemployment Benefits	921	0	921	215,090
Other Noncurrent Liabilities	0	9,395	9,395	275,729
Total Noncurrent Liabilities	2,386,525	824,717	3,211,242	9,276,664
Total Liabilities	4,318,790	1,060,717	5,379,507	10,997,793
Deferred Inflows				
Restructured Debt	0	3,024	3,024	4,662
Deferred Inflows from Pensions	320,943	1,260	322,203	88,785
Accumulated Increase in Fair Value	0	0	0	28,502
Service Concession Arrangements	0	0	0	32,194
Total Deferred Inflows	320,943	4,284	325,227	154,143
Net Position				
Net Investment in Capital Assets	11,031,695	2,477	11,034,172	3,840,891
Restricted for:				
Debt Service	579,290	310,535	889,825	315,841
Preservation of Wildlife	85,652	0	85,652	0
Lottery Benefits	0	13,555	13,555	0
Educational Systems	2,380,398	0	2,380,398	0
Unemployment Benefits	0	1,099,386	1,099,386	0
Stabilization	70,015	0	70,015	0
Federal Grant Programs	140,824	0	140,824	0
Tobacco Cessation and Public Health				
Nonexpendable	1,044,101	0	1,044,101	768,549
Expendable	92,428	0	92,428	2,991,422
Unrestricted	1,484,206	532,518	2,016,724	(157,440)
Total Net Position	\$ 16,908,609	\$ 1,958,471	\$ 18,867,080	\$ 7,759,263

The Notes to the Financial Statements are an integral part of this statement

State of Oklahoma

Government-Wide Statement of Activities

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Primary Government			Component Units
				Governmental Activities	Business-Type Activities	Total	
Primary Government							
Governmental Activities:							
Education-General	\$ 3,361,645	\$ 61,790	\$ 1,028,441	\$ (2,271,414)		\$ (2,271,414)	
Education-Payment to Higher Education	889,389	0	0	(889,389)		(889,389)	
Government Administration	1,870,606	447,826	180,091	(1,242,689)		(1,242,689)	
Health Services	5,613,009	633,940	3,383,380	(1,595,689)		(1,595,689)	
Legal and Judiciary	267,320	127,798	37,263	(102,259)		(102,259)	
Museums	11,316	2,752	738	(7,826)		(7,826)	
Natural Resources	318,494	187,791	70,289	(60,414)		(60,414)	
Public Safety and Defense	895,929	92,801	133,108	(670,020)		(670,020)	
Regulatory Services	97,804	122,272	7,561	32,029		32,029	
Social Services	2,199,151	9,984	1,577,545	(611,622)		(611,622)	
Transportation	1,128,688	103,394	713,201	(312,093)		(312,093)	
Interest on Long-Term Debt	76,321	0	0	(76,321)		(76,321)	
Total Governmental Activities	16,729,672	1,790,348	7,131,617	(7,807,707)		(7,807,707)	
Business-Type Activities							
Employment Security Commission	320,111	278,815	5,287		(36,009)	(36,009)	
Water Resources Board	34,932	42,455	3,744		11,267	11,267	
Office of Management and Enterprise Services	1,031,753	1,026,482	0		(5,271)	(5,271)	
Lottery Commission	97,619	151,917	0		54,298	54,298	
Total Business-Type Activities	1,484,415	1,499,669	9,031		24,285	24,285	
Total Primary Government	\$ 18,214,087	\$ 3,290,017	\$ 7,140,648	(7,807,707)	24,285	(7,783,422)	
Component Units:							
Oklahoma Student Loan Authority	16,531	15,445	0				(1,086)
Oklahoma Housing Finance Agency	156,214	31,793	134,471				10,050
Oklahoma Turnpike Authority	221,103	278,200	0				57,097
Grand River Dam Authority	435,466	438,849	0				3,383
Oklahoma Municipal Power Authority	188,909	189,212	0				303
Higher Education	4,777,211	2,866,254	1,382,647				(528,310)
Nonmajor Component Units	490,499	377,917	6,825				(105,757)
Total Component Units	\$ 6,285,933	\$ 4,197,670	\$ 1,523,943				(564,320)
General Revenues							
Taxes:							
Income Taxes-Individual				2,948,867	0	2,948,867	0
Income Taxes-Corporate				169,638	0	169,638	0
Sales Tax				2,460,237	0	2,460,237	0
Gross Production Taxes				412,899	0	412,899	0
Motor Vehicle Taxes				757,223	0	757,223	0
Fuel Taxes				432,779	0	432,779	0
Tobacco Taxes				254,935	0	254,935	0
Other Business Taxes				226,209	0	226,209	0
Other Personal Taxes				177	0	177	0
Insurance Taxes				164,007	0	164,007	0
Beverage Taxes				118,449	0	118,449	0
Other Taxes				186,528	0	186,528	0
Payments from Primary Government				0	0	0	996,110
Investment Earnings				53,157	0	53,157	0
Contributions to Permanent Funds				59,460	0	59,460	0
Transfers				65,456	(65,456)	0	0
Total General Revenues and Transfers				8,310,021	(65,456)	8,244,565	996,110
Change in Net Position				502,314	(41,171)	461,143	431,790
Net Position - Beginning of Year (as restated)				16,406,295	1,999,642	18,405,937	7,327,473
Net Position - End of Year				\$ 16,908,609	\$ 1,958,471	\$ 18,867,080	\$ 7,759,263

The Notes to the Financial Statements are an integral part of this statement.



FUND FINANCIAL STATEMENTS

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State of Oklahoma

Balance Sheet

Governmental Funds

June 30, 2017
(expressed in thousands)

	Permanent Funds				
	General	Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	Total Governmental Funds
Assets					
Assets					
Cash/Cash Equivalents	\$ 3,154,414	\$ 96,971	\$ 8,856	\$ 40,147	\$ 3,300,388
Investments	58,455	2,312,098	76,704	1,117,092	3,564,349
Security Lending Investments	82,885	0	0	139,788	222,673
Accounts Receivable	51,795	0	0	0	51,795
Interest and Investment Revenue Receivable	14,660	11,732	0	3,564	29,956
Federal Grants Receivable	482,215	0	0	0	482,215
Taxes Receivable	294,846	0	0	0	294,846
Leases Receivable	19,706	0	0	0	19,706
Leases Receivable-Component Units	384,424	0	0	0	384,424
Other Receivables	221	7,984	0	479	8,684
Due from Other Funds	150	0	85	0	235
Due from Fiduciary Funds	43	0	0	0	43
Due from Component Units	2,223	0	0	0	2,223
Due From Component Units-Noncurrent	53,263	0	0	0	53,263
Inventory	78,726	0	0	0	78,726
Prepaid Items	1,033	0	0	0	1,033
Other Assets	8,256	0	7	0	8,263
Total Assets	<u>4,687,315</u>	<u>2,428,785</u>	<u>85,652</u>	<u>1,301,070</u>	<u>8,502,822</u>
Liabilities					
Accounts Payable and Accrued Liabilities	955,939	40,735	0	22,701	1,019,375
Payable Under Securities					
Lending Agreements	82,885	0	0	139,788	222,673
Unearned Revenue	232,446	7,652	0	0	240,098
Tax Refunds Payable	4,787	0	0	0	4,787
Due to Other Funds	127	0	0	146	273
Due to Fiduciary Funds	71,199	0	0	0	71,199
Due to Component Units	45,348	0	0	1,906	47,254
Due to Others	156,369	0	0	0	156,369
Total Liabilities	<u>1,549,100</u>	<u>48,387</u>	<u>0</u>	<u>164,541</u>	<u>1,762,028</u>
Fund Balances					
Nonspendable	78,555	2,380,398	83,555	1,044,101	3,586,609
Restricted	790,129	0	0	0	790,129
Committed	2,245,651	0	2,097	39,736	2,287,484
Assigned	542	0	0	52,692	53,234
Unassigned	23,338	0	0	0	23,338
Total Fund Balances	<u>\$ 3,138,215</u>	<u>\$ 2,380,398</u>	<u>\$ 85,652</u>	<u>\$ 1,136,529</u>	<u>\$ 6,740,794</u>

The Notes to the Financial Statements are an integral part of this statement.

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Total Fund Balance - Governmental Funds	\$ 6,740,794
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Amounts reported for governmental activities in the statement of net position are different because:

by which capital outlays (\$909,242) exceeded depreciation (\$558,356) and therefore are not reported in the funds. These assets consist of:

Land	1,799,992	
Buildings and Improvements	1,608,944	
Equipment	568,753	
Infrastructure	19,280,309	
Construction in Progress	210,647	
Accumulated Depreciation	<u>(11,534,767)</u>	
		11,933,878

Some of the state's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are considered to be unearned.	126,059
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The state's portion of the net pension asset (\$17,293), net pension liability (\$1,042,548), deferred inflows (\$320,943), and deferred outflows (\$1,093,186) as determined by the actuarial calculations of the pension systems created by statute.	(253,012)
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Certain bonds issued by the state are for the purpose of refunding older bond issues. Some bonds that are refunded are done so at a loss to the state. These losses are costs in the funds, but are amortized over the life of the refunding bonds on the statement of net position.	1,526
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Timing differences caused by the component units with alternative year end dates resulted in differences in due to/from other funds.	(90)
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Notes Payable	(16,575)	
General Obligation and Revenue Bonds	(1,267,291)	
Capital Leases and Certificates of Participation	(2,740)	
Bond Issue Premiums	(100,434)	
Accrued Interest on Bonds	(27,540)	
Compensated Absences	(158,262)	
Other postemployment benefits	(921)	
Claims and Judgments	<u>(66,783)</u>	
		(1,640,546)

Net Position of Governmental Activities	<u><u>\$ 16,908,609</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017
(expressed in thousands)

	General	Permanent Funds			Total Governmental Funds
		Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	
Revenues					
Taxes					
Income Taxes-Individual	\$ 2,948,868	\$ 0	\$ 0	\$ 0	\$ 2,948,868
Sales Tax	2,460,238	0	0	0	2,460,238
Gross Production Tax	412,898	0	0	0	412,898
Income Taxes-Corporate	169,639	0	0	0	169,639
Motor Vehicle Taxes	757,223	0	0	0	757,223
Fuel Taxes	432,780	0	0	0	432,780
Tobacco Taxes	254,935	0	0	0	254,935
Other Business Taxes	226,209	0	0	0	226,209
Other Personal Taxes	177	0	0	0	177
Insurance Taxes	164,008	0	0	0	164,008
Beverage Taxes	118,449	0	0	0	118,449
Other Taxes	186,528	0	0	0	186,528
Licenses, Permits and Fees	708,917	0	2,097	0	711,014
Interest and Investment Revenue	220,987	317,847	0	116,395	655,229
Federal Grants	6,695,846	0	0	0	6,695,846
Sales and Services	222,086	0	0	0	222,086
Other Grants and Reimbursements	498,801	0	0	0	498,801
Fines and Penalties	52,431	0	0	0	52,431
Other	143,705	4,937	0	59,460	208,102
Total Revenues	16,674,725	322,784	2,097	175,855	17,175,461
Expenditures					
Education	4,094,404	152,808	0	0	4,247,212
Government Administration	1,877,349	0	0	58,406	1,935,755
Health Services	5,614,255	0	0	0	5,614,255
Legal and Judiciary	254,551	0	0	0	254,551
Museums	7,444	0	0	0	7,444
Natural Resources	295,638	0	0	0	295,638
Public Safety and Defense	837,157	0	0	0	837,157
Regulatory Services	95,621	0	0	0	95,621
Social Services	2,192,547	0	0	0	2,192,547
Transportation	203,290	0	0	0	203,290
Capital Outlay	1,575,450	0	0	29	1,575,479
Debt Service					
Principal Retirement	179,384	0	0	0	179,384
Interest and Fiscal Charges	72,994	0	0	0	72,994
Total Expenditures	17,300,084	152,808	0	58,435	17,511,327
Revenues in Excess of (Less Than) Expenditures	(625,359)	169,976	2,097	117,420	(335,866)
Other Financing Sources (Uses)					
Transfers In	81,634	0	0	0	81,634
Transfers Out	(5,086)	(11,092)	(0)	(0)	(16,178)
Bonds Issued	265,665	0	0	0	265,665
Bond Issue Premiums	39,067	0	0	0	39,067
Capital Leases	440	0	0	0	440
Sale of Capital Assets	13,343	0	0	0	13,343
Total Other Financing Sources (Uses)	395,063	(11,092)	0	0	383,971
Net Change in Fund Balances	(230,296)	158,884	2,097	117,420	48,105
Fund Balances - Beginning of Year (as restated)	3,368,511	2,221,514	83,555	1,019,109	6,692,689
Fund Balances - End of Year	\$ 3,138,215	\$ 2,380,398	\$ 85,652	\$ 1,136,529	\$ 6,740,794

The Notes to the Financial Statements are an integral part of this statement.

Reconciliation of the Governmental Funds Schedule of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

Net Change in Fund Balances - Total Governmental Funds	\$ 48,105
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$909,242) exceeded depreciation (\$558,356) in the current period.	350,886
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In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.	(18,457)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,398
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which bond payments (\$177,482) were exceeded by proceeds (\$265,665).	(88,183)
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Bond issuance premiums and discounts are other financing sources or uses to governmental funds, but are deferred liabilities in the statement of net position. This is the amount of bond issue premiums.	(39,835)
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The amount by which the state's portion of net pension asset (\$17,603) decreased, net pension liability (\$589,888) increased, deferred inflows from pensions (\$110,162) decreased, and deferred outflows from pensions (\$752,300) increased compared to the prior fiscal year.	254,971
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For assets acquired as capital leases, the amount financed is reported in the governmental funds as a source of financing. However, capital leases are long-term liabilities in the statement of net position. This is the amount by which the payment of principal (\$1,902) exceeded the addition of new capital leases (\$440).	1,462
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Accretion of bond premiums	13,643	
Decrease in entity-wide interest payable	(3,327)	
Decrease in compensated absences	1,659	
Amortization of losses on refunded bonds	(686)	
Timing difference of due from/to other funds	(90)	
Increase in other postemployment benefit liability	(147)	
Decrease in claims and judgments payable	(20,085)	
	<hr/>	(9,033)

Change in Net Position of Governmental Activities	\$ 502,314
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The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2017
(expressed in thousands)

	Business-Type Activities - Enterprise Funds				
	Employment Security Commission	Water Resources Board	Office of Management and Enterprise Services	Lottery Commission	Total
Assets					
Current Assets					
Cash/Cash Equivalents	\$ 1,017,253	\$ 98,228	\$ 81,035	\$ 19,402	\$ 1,215,918
Investments	0	102,591	149,477	0	252,068
Accounts Receivable	0	0	88,313	2,531	90,844
Interest and Investment Revenue Receivable	5,707	9,208	900	0	15,815
Federal Grants Receivable	5	472	0	0	477
Taxes Receivable	78,055	0	0	0	78,055
Notes Receivable	0	70,273	0	0	70,273
Due from Other Funds	0	0	132	0	132
Other Receivables	0	3	0	0	3
Other Current Assets	0	31	51,477	0	51,508
Total Current Assets	1,101,020	280,806	371,334	21,933	1,775,093
Noncurrent Assets					
Cash/Cash Equivalents, Restricted	0	29,396	0	0	29,396
Long-Term Investments	0	24,818	0	0	24,818
Long-Term Investments, Restricted	0	54,315	0	0	54,315
Long-Term Notes Receivable	0	1,126,170	0	0	1,126,170
Capital Assets, Net	0	178	2,196	103	2,477
Other Noncurrent Assets	0	0	0	4,436	4,436
Total Noncurrent Assets	0	1,234,877	2,196	4,539	1,241,612
Total Assets	1,101,020	1,515,683	373,530	26,472	3,016,705
Deferred Outflows of Resources					
Unamortized Loss on Defeasance	0	2,487	0	0	2,487
Deferred Pension Plan Outflows	0	0	3,522	762	4,284
Total Deferred Outflows	0	2,487	3,522	762	6,771
Liabilities					
Current Liabilities					
Accounts Payable and Accrued Liabilities	1,634	788	145,127	11,227	158,776
Interest Payable	0	8,407	0	0	8,407
Compensated Absences	0	101	0	127	228
Revenue Bonds (Net)	0	43,810	0	0	43,810
Due to Fiduciary Funds	0	0	0	1,218	1,218
Due to Component Units	0	0	3	0	3
Due to Other Funds	0	0	0	4	4
Other Current Liabilities	0	535	23,023	0	23,558
Total Current Liabilities	1,634	53,641	168,153	12,576	236,004
Noncurrent Liabilities					
Revenue Bonds (including Premiums)	0	810,218	0	0	810,218
Compensated Absences	0	47	665	63	775
Other Noncurrent Liabilities	0	0	9,395	0	9,395
Pension Obligation	0	0	3,438	891	4,329
Total Noncurrent Liabilities	0	810,265	13,498	954	824,717
Total Liabilities	1,634	863,906	181,651	13,530	1,060,721
Deferred Inflows of Resources					
Deferred Inflows from Pensions	0	0	1,214	46	1,260
Refinancing of Debt	0	3,024	0	0	3,024
Total Deferred Inflows	0	3,024	1,214	46	4,284
Net Position					
Invested in Capital Assets	0	178	2,196	103	2,477
Restricted for:					
Debt Service	0	310,535	0	0	310,535
Lottery Benefits	0	0	0	13,555	13,555
Unemployment Benefits	1,099,386	0	0	0	1,099,386
Unrestricted	0	340,527	191,991	0	532,518
Total Net Position	\$ 1,099,386	\$ 651,240	\$ 194,187	\$ 13,658	\$ 1,958,471

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2017
(expressed in thousands)

	Business-Type Activities - Enterprise Funds				
	Employment Security Commission	Water Resources Board	Office of Management and Enterprise Services	Lottery Commission	Total
Operating Revenues					
Sales and Services	\$ 253,542	\$ 0	\$ 1,010,382	\$ 151,503	\$ 1,415,427
Federal Grants	5,287	3,744	0	0	9,031
Interest and Investment Revenue	0	30,491	0	0	30,491
Other	0	8	2,733	105	2,846
Total Operating Revenues	258,829	34,243	1,013,115	151,608	1,457,795
Operating Expenses					
Facilities Operations and Maintenance	0	0	0	145	145
Administration and General	10,103	5,055	47,159	4,643	66,960
Prizes, Commissions and Other	0	0	0	92,051	92,051
Interest	0	29,650	0	0	29,650
Depreciation	0	41	644	30	715
Benefit Payments and Refunds	310,008	0	983,950	0	1,293,958
Total Operating Expenses	320,111	34,746	1,031,753	96,869	1,483,479
Operating Income (Loss)	(61,282)	(503)	(18,638)	54,739	(25,684)
Nonoperating Revenues (Expense)					
Interest and Investment Revenue	23,040	2,316	13,367	309	39,032
Other Nonoperating Revenues	2,233	0	0	0	2,233
Nonoperating Federal Grants	0	9,640	0	0	9,640
Other Nonoperating Expenses	0	(186)	0	(750)	(936)
Total Nonoperating Revenues (Expenses)	25,273	11,770	13,367	(441)	49,969
Income (Loss) Before Transfers	(36,009)	11,267	(5,271)	54,298	24,285
Transfers In	0	5,086	0	0	5,086
Transfers Out	(12,115)	(5,363)	0	(53,064)	(70,542)
Change in Net Position	(48,124)	10,990	(5,271)	1,234	(41,171)
Total Net Position - Beginning of Year	1,147,510	640,250	199,458	12,424	1,999,642
Total Net Position - Ending	\$ 1,099,386	\$ 651,240	\$ 194,187	\$ 13,658	\$ 1,958,471

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30,
2017 (expressed in thousands)

	Business-Type Activities - Enterprise Funds				
	Employment Security Commission	Water Resources Board	Office of Management and Enterprise Services	Lottery Commission	Total
Cash Flows from Operating Activities					
Receipts from Customers and Users	238,721	0	1,250,166	144,402	1,633,289
Receipts from Federal Grants	5,596	3,818	0	0	9,414
Payments of Benefits	(332,226)	662	(1,321,058)	0	(1,652,622)
Payments to Suppliers	0	(2,738)	(35,893)	(11,202)	(49,833)
Payments to Employees	0	(2,375)	(9,649)	(2,455)	(14,479)
Payments to Prize Winners	0	0	0	(79,515)	(79,515)
Payments to fund deposit with Multi-State Lottery	0	0	0	180	180
Payments of Operating Interest Expense	0	(31,234)	0	0	(31,234)
Collections of Interest on Loans to Governmental Units	0	30,607	0	0	30,607
Net Cash Provided (Used) by Operating Activities	(87,909)	(1,260)	(116,434)	51,410	(154,193)
Cash Flows from Noncapital Financing Activities					
Federal Grants and Other Contributions	2,173	167,541	0	0	169,714
Transfers In	0	5,023	0	0	5,023
Transfers Out	0	(5,410)	0	(62,530)	(67,940)
Principal Paid on Bonds and Notes Payable	0	(172,574)	0	0	(172,574)
Net Cash Provided (Used) by Noncapital Financing Activities	2,173	(5,420)	0	(62,530)	(65,777)
Cash Flows from Capital and Related Financing Activities					
Payments for Acquisition of Capital Assets	0	(134)	(142)	(60)	(336)
Net Cash Used by Capital and Related Financing Activities	0	(134)	(142)	(60)	(336)
Cash Flows from Investing Activities					
Interest and Investment Revenue	23,592	2,722	4,065	323	30,702
Proceeds from Sale and Maturity of Investments	0	6,602	223,879	0	230,481
Payments to Purchase Investments	0	(6,898)	(120,682)	0	(127,580)
Collections of Principal on Loans to Governmental Units	0	108,695	0	0	108,695
Payments to Issue Notes Receivable	0	(162,083)	0	0	(162,083)
Net Cash Provided by Investing Activities	23,592	(50,962)	107,262	323	80,215
Net Increase in Cash/Cash Equivalents	(62,144)	(57,776)	(9,314)	(10,857)	(140,091)
Cash/Cash Equivalents - Beginning of Year	<u>1,079,397</u>	<u>185,400</u>	<u>90,349</u>	<u>30,259</u>	<u>1,385,405</u>
Cash/Cash Equivalents - End of Year	<u>1,017,253</u>	<u>127,624</u>	<u>81,035</u>	<u>19,402</u>	<u>1,245,314</u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities					
Operating Income (Loss)	\$ (61,282)	\$ (503)	\$ (18,638)	\$ 54,739	\$ (25,684)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation Expense	0	41	644	30	715
Amortization (Accretion) and Other Noncash Expenses	0	(1,088)	0	1	(1,087)
Decrease (Increase) in Assets					
Accounts Receivable	(25,280)	0	(11,865)	3,137	(34,008)
Federal Receivable	1	0	0	0	1
Interest and Investment Receivable	0	(186)	0	0	(186)
Deposit with Multi-State Lottery	0	0	0	180	180
Other Receivables	0	662	(63,252)	0	(62,590)
Increase (Decrease) in Liabilities					
Accounts Payable and Accrued Liabilities	0	(46)	(22,854)	(315)	(23,215)
Interest Payable	0	(126)	0	0	(126)
Prizes Payable	0	0	0	(5,810)	(5,810)
Compensated Absences	0	28	0	0	28
Due to other funds	0	0	0	(365)	(365)
Deferred Revenue	(1,348)	0	0	(125)	(1,473)
Other Current Liabilities	0	(42)	(469)	(62)	(573)
Net Cash Provided (Used) by Operating Activities	<u>\$ (87,909)</u>	<u>\$ (1,260)</u>	<u>\$ (116,434)</u>	<u>\$ 51,410</u>	<u>\$ (154,193)</u>

The Notes to the Financial Statements are an integral part of this statement.

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State of Oklahoma
Statement of Fiduciary Net Position
Fiduciary Funds and Similar Component Units

June 30, 2017
(expressed in thousands)

	Pension Trust Funds	Agency Fund
Assets		
Cash/Cash Equivalents	\$ 535,388	\$ 656,411
Investments, at fair value		
Equity Securities	16,279,862	0
Governmental Securities	3,853,989	0
Debt Securities	3,727,394	0
Mutual Funds	3,195,320	0
Other Investments	3,611,873	0
Securities Lending Investments	2,508,105	0
Accounts Receivable	0	41
Interest and Investment Revenue Receivable	83,558	0
Employer Contributions Receivable	32,979	0
Employee Contributions Receivable	20,005	0
Due from Brokers	434,979	0
Due from Primary Government	72,417	0
Due from Component Units	850	0
Inventory	0	7,501
Capital Assets, Net	5,741	0
Other Assets	315	0
Total Assets	<u>34,362,775</u>	<u>663,953</u>
Liabilities		
Account Payable	4,854	697
Deferred Revenue	0	1
Tax Refunds Payable	0	105,639
Securities Lending Payable	2,508,105	0
Due to Brokers	866,029	0
Due to Other Funds	43	0
Due to Others	0	557,616
Benefits in the Process of Payment	3,383	0
Other Liabilities	13,195	0
Total Liabilities	<u>3,395,609</u>	<u>663,953</u>
Net Position		
Net Position Restricted for Pensions	<u>\$ 30,967,166</u>	

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma
Statement of Changes in Fiduciary Net Position
Fiduciary Funds and Similar Component Units

For the Fiscal Year Ended June 30, 2017
(expressed in thousands)

	Pension Trust Funds
Additions	
Contributions	
Employer Contributions	\$ 791,042
Employee Contributions	422,506
Other Contributions	<u>446,211</u>
Total Contributions	<u>1,659,759</u>
Investment Earnings	
Net Increase (Decrease) in Fair Value of Investments	3,286,453
Interest and Investment Revenue	<u>586,749</u>
Total Investment Earnings	3,873,202
Less Investment Expenses	<u>116,848</u>
Net Investment Earnings	<u>3,756,354</u>
Total Additions	<u>5,416,113</u>
Deductions	
Administrative and General Expenses	21,091
Benefit Payments and Refunds	<u>2,381,417</u>
Total Deductions	<u>2,402,508</u>
Change in Net Position Restricted for Pensions	3,013,605
Net Position - Beginning of Year	<u>27,953,561</u>
Net Position - End of Year	<u><u>\$ 30,967,166</u></u>

The Notes to the Financial Statements are an integral part of this statement.

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Description of Major Component Units

The State of Oklahoma has six major component units which are described below:

OKLAHOMA STUDENT LOAN AUTHORITY

525 Central Park Drive, Suite 600, Oklahoma City, Oklahoma 73105
www.osla.org

The Authority provides loans to qualified persons at participating educational institutions through the issuance of tax-exempt revenue bonds or other debt obligations.

OKLAHOMA HOUSING FINANCE AGENCY

100 N.W. 63rd Street, Suite 200, Oklahoma City, Oklahoma 73116
www.ohfa.org

The Agency is authorized to issue revenue bonds and notes in order to provide funds to promote the development of adequate residential housing and other economic development for the benefit of the State of Oklahoma.

OKLAHOMA TURNPIKE AUTHORITY

P.O. Box 11357, Oklahoma City, Oklahoma 73111
www.pikepass.com

The Authority is authorized to construct, maintain, repair, and operate turnpike projects at locations authorized by the Legislature and approved by the Department of Transportation. The Authority receives revenues from turnpike tolls and a percentage of the turnpike concessions sales. The Authority issues revenue bonds to finance the cost of turnpike projects.

GRAND RIVER DAM AUTHORITY

P.O. Box 409, Vinita, Oklahoma 74301
www.grda.com

The Authority controls the waters of the Grand River system to generate water power and electric energy and to promote irrigation, conservation and development of natural resources. The Authority produces and distributes electrical power for sale to customers primarily located in northeastern Oklahoma.

OKLAHOMA MUNICIPAL POWER AUTHORITY

P.O. Box 1960, Edmond, Oklahoma 73083
www.ompac.com

The Authority provides a means for the municipal electric systems in the state to jointly plan, finance, acquire, and operate electrical power supply facilities necessary to meet the electrical energy requirements of their consumers. The Authority also sells electric power to its member municipalities.

HIGHER EDUCATION

Higher Education is primarily comprised of colleges and universities which are members of the Oklahoma State System of Higher Education. The System includes the following colleges and universities:

COMPREHENSIVE UNIVERSITIES

University of Oklahoma
Oklahoma State University

OTHER FOUR YEAR UNIVERSITIES

University of Central Oklahoma
East Central University
Northeastern State University
Northwestern Oklahoma State University
Southeastern Oklahoma State University
Southwestern Oklahoma State University
Cameron University
Langston University
Oklahoma Panhandle State University
Rogers State University
University of Science and Arts of Oklahoma

TWO YEAR COLLEGES

Carl Albert State College
Connors State College
Eastern Oklahoma State College
Redlands Community College
Murray State College
Northeastern Oklahoma A & M College
Northern Oklahoma College
Oklahoma City Community College
Rose State College
Seminole State College
Tulsa Community College
Western Oklahoma State College

Each institution which is a member of the Oklahoma State System of Higher Education (the "System") is governed by a Board of Regents. The Boards of Regents consist of five to ten members appointed by the governor, with the advice and consent of the Senate. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. Also included in the Higher Education Component Unit are the following entities:

Oklahoma State Regents for Higher Education serves as the coordinating board of control for the System.

Regional University System of Oklahoma Regents has legislative powers and duties to manage, supervise, and control operation of the six regional state universities which are the University of Central Oklahoma, East Central University, Northeastern State University, Northwestern Oklahoma State University, Southeastern Oklahoma State University, and Southwestern Oklahoma State University.

University Center of Southern Oklahoma was established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning in southern Oklahoma. Students enrolled in the Program earn credit applicable toward academic degrees and certificates at participating institutions in the System.

University Center at Ponca City was established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning in northern Oklahoma. Students enrolled in the Program earn credit applicable toward academic degrees and certificates at participating institutions in the System.

Rose State College Technical Area Education District, South Oklahoma City Area School District, and Tulsa Community College Area School District #18 were created to provide secondary vocational, technical, and adult education programs for persons within their defined geographical boundaries.

State of Oklahoma
Combining Statement of Net Position
Major Component Units
June 30, 2017
(expressed in thousands)

	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
Assets								
Current Assets								
Cash/Cash Equivalents -								
Unrestricted	\$ 0	\$ 13,178	\$ 63,400	\$ 64,177	\$ 5,181	\$ 1,323,476	\$ 191,690	\$ 1,661,102
Investments	22,139	5,469	12,013	51,492	0	1,095,195	43,096	1,229,404
Accounts Receivable	0	628	2,044	53,609	22,279	489,307	78,454	646,321
Interest and Investment								
Revenue Receivable	5,290	1,191	1,767	3,398	346	1,644	226	13,862
Federal Grants Receivable	0	0	0	0	0	8,144	0	8,144
Other Receivables	0	0	0	0	0	39,752	2,261	42,013
Notes Receivable	0	0	0	0	0	6,390	5,475	11,865
Due from Component Units	0	0	0	1,108	0	21,313	546	22,967
Due from Primary Government	0	0	10,209	0	0	12,144	28,994	51,347
Inventory	0	0	7,803	79,042	7,908	26,437	0	121,190
Prepaid Items	0	289	584	3,477	0	9,539	3,416	17,305
Other Current Assets	0	0	0	10,556	603	41,992	4,469	57,620
Total Current Assets	27,429	20,755	97,820	266,859	36,317	3,075,333	358,627	3,883,140
Noncurrent Assets								
Cash/Cash Equivalents -								
Restricted	0	17,525	98,725	0	42,330	332,079	2,648	493,307
Investments - Restricted	55,803	312,061	184,518	0	74,642	2,461,716	916	3,089,656
Long-Term Investments								
Unrestricted	271,112	45,403	0	305,534	27,036	474,216	16,198	1,139,499
Long-Term Notes Receivable, Net								
Unrestricted	0	0	0	0	0	42,565	3,727	46,292
Restricted	0	2,585	0	0	0	0	0	2,585
Capital Assets								
Depreciable, Net	492	2,239	919,211	765,985	484,915	4,992,172	339,833	7,504,847
Land	0	550	184,419	37,648	0	213,568	4,396	440,581
Construction in Progress	0	0	183,957	441,029	3,476	493,416	3,859	1,125,737
Other Noncurrent Assets								
Unrestricted	841	0	49	4,586	127,938	111,627	20,379	265,420
Restricted	0	0	0	0	931	0	36	967
Total Noncurrent Assets	328,248	380,363	1,570,879	1,554,782	761,268	9,121,359	391,992	14,108,891
Total Assets	355,677	401,118	1,668,699	1,821,641	797,585	12,196,692	750,619	17,992,031
Deferred Outflow of Resources								
Deferred Outflows from Pensions	2,554	735	11,274	17,765	3,099	710,389	2,414	748,230
Accumulated Decrease in Fair Value of								
Derivatives	0	42	47,597	0	4,713	0	0	52,352
Lease Restructuring	0	0	0	0	0	3,566	0	3,566
Advance Refunding of Bonds	0	0	55,464	0	21,453	2,922	42	79,881
Defeasance of Bonds	0	0	0	29,564	0	5,575	0	35,139
Total Deferred Outflows	2,554	777	114,335	47,329	29,265	722,452	2,456	919,168

The Notes to the Financial Statements are an integral part of this statement.

	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
Liabilities								
Current Liabilities								
Accounts Payable and								
Accrued Liabilities	1,532	1,275	26,392	60,822	13,322	243,411	88,503	435,257
Claims and Judgments	0	0	0	0	0	1,974	37,833	39,807
Interest Payable	1,714	723	15,007	4,069	13,522	23,746	481	59,262
Unearned Revenue	0	529	29,150	0	12,067	139,923	231	181,900
Due to Other Component Units	0	0	0	0	1,364	21,863	0	23,227
Due to Fiduciary Funds	0	95	0	644	89	1	21	850
Due to Primary Government	0	0	1,606	155	0	460	2	2,223
Capital Leases	0	0	0	0	0	52,376	230	52,606
Capital Leases-Primary Govt.	0	0	0	0	0	43,642	0	43,642
Compensated Absences	0	810	2,131	3,362	0	81,108	503	87,914
Notes Payable	0	0	15,000	0	2,245	93,830	4,024	115,099
General Obligation Bonds	0	0	0	0	0	0	0	0
Revenue Bonds	0	7,415	111,205	24,780	21,665	47,830	1,475	214,370
Other Current Liabilities	0	0	0	17,867	9,191	400,049	37,865	464,972
Total Current Liabilities	3,246	10,847	200,491	111,699	73,465	1,150,213	171,168	1,721,129
Noncurrent Liabilities								
Claims and Judgments	0	0	0	0	0	3,629	386,295	389,924
Due to Primary Government	0	0	53,263	0	0	0	0	53,263
Capital Leases	0	0	0	0	0	890,329	555	890,884
Capital Leases-Primary Govt.	0	0	0	0	0	340,782	0	340,782
Compensated Absences	0	0	0	0	0	40,721	118	40,839
Net Pension Liability	8,322	844	10,876	0	3,081	2,210,294	2,064	2,235,481
Notes Payable	65,221	0	0	0	35,623	13,228	19,991	134,063
General Obligation Bonds	0	0	0	0	0	0	40,000	40,000
Other Postemployment Benefits	0	0	0	0	0	215,090	0	215,090
Revenue Bonds	221,908	225,821	823,840	987,461	645,120	1,499,460	52,389	4,455,999
Unamortized Premium (Discount)								
on refunding	0	5,031	54,914	113,751	30,544	466	(96)	204,610
Other Noncurrent Liabilities	0	0	47,597	29,082	3,669	192,412	2,969	275,729
Total Noncurrent Liabilities	295,451	231,696	990,490	1,130,294	718,037	5,406,411	504,285	9,276,664
Total Liabilities	298,697	242,543	1,190,981	1,241,993	791,502	6,556,624	675,453	10,997,793
Deferred Inflow of Resources								
Accumulated Increase								
in Fair Value	0	0	0	28,502	0	0	0	28,502
Restructured Debt	0	0	0	0	0	4,662	0	4,662
Deferred pension plan inflows	192	593	4,030	588	1,088	81,495	799	88,785
Service Concession								
Arrangements	0	0	0	0	0	32,194	0	32,194
Total Deferred Inflows	192	593	4,030	29,090	1,088	118,351	799	154,143
Net Position								
Net Investment in Capital Assets	492	2,789	341,525	271,706	(28,438)	2,960,637	292,180	3,840,891
Restricted for:								
Debt Service	0	91,526	138,214	18,524	22,695	44,882	0	315,841
Other Special Purpose								
Expendable	45,460	752	38,684	23,378	9,958	2,865,616	7,574	2,991,422
Nonexpendable	0	0	0	0	0	768,549	0	768,549
Unrestricted	13,390	63,692	69,600	284,279	30,045	(395,515)	(222,931)	(157,440)
Total Net Position	\$ 59,342	\$ 158,759	\$ 588,023	\$ 597,887	\$ 34,260	\$ 6,244,169	\$ 76,823	\$ 7,759,263

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma

Combining Statement of Activities

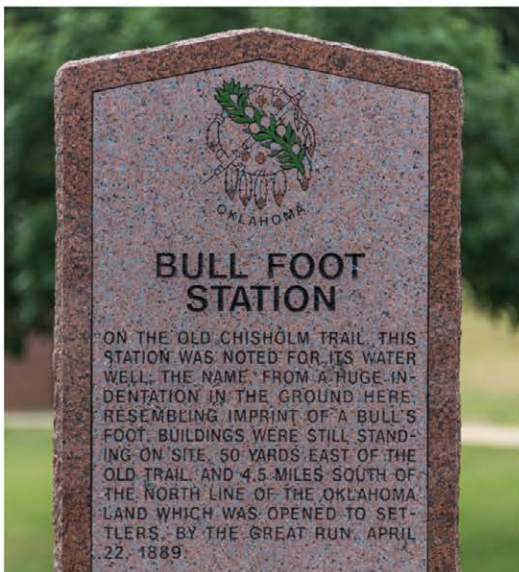
Major Component Units

For the Fiscal Year Ended June 30, 2017
(expressed in thousands)

		Program Revenues				General Revenue				
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue		Payments from Primary Government	Change in Net Position	Net Position Beginning of Year	Net Position End of Year	
Component Units:										
Oklahoma Student Loan Authority	\$ 16,531	\$ 15,445	\$ 0	\$ (1,086)	\$ 0	\$ (1,086)	\$ 60,428	\$ 59,342		
Oklahoma Housing Finance Agency	156,214	31,793	134,471	10,050	0	10,050	148,709	158,759		
Oklahoma Turnpike Authority	221,103	278,200	0	57,097	0	57,097	530,926	588,023		
Grand River Dam Authority	435,466	438,849	0	3,383	0	3,383	594,504	597,887		
Oklahoma Municipal Power Authority	188,909	189,212	0	303	0	303	33,957	34,260		
Higher Education Component Unit	4,777,211	2,866,254	1,382,647	(528,310)	889,389	361,079	5,883,090	6,244,169		
Nonmajor Component Units Total	490,499	377,917	6,825	(105,757)	106,721	964	75,859	76,823		
Total Component Units	\$ 6,285,933	\$ 4,197,670	\$ 1,523,943	\$ (564,320)	\$ 996,110	\$ 431,790	\$ 7,327,473	\$ 7,759,263		

The Notes to the Financial Statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS



NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the State of Oklahoma (the “state”) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

In June of 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. The requirements of this statement improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information about postemployment benefits other than pensions.

The state was required to implement this standard for the fiscal year ended June 30, 2017.

In August of 2015, GASB Statement No. 77, *Tax Abatement Disclosures*, was issued. This statement requires disclosure of tax abatement information about a reporting government’s own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government’s tax revenues.

The state was required to implement this standard for the fiscal year ended June 30, 2017.

In December of 2015, GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, was issued. This statement addresses issues associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

The state was required to implement this standard for the fiscal year ended June 30, 2017.

Also, in December of 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools.

The state was required to implement this standard for the fiscal year ended June 30, 2017.

In January of 2016, Statement No. 80, *Blending Requirements for Certain Component Units*, was issued by GASB. This statement requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

The state was required to implement this standard for the fiscal year ended June 30, 2017.

In March of 2016, GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No.68 and No. 73*, was issued. This statement addresses issues regarding the presentation of payroll-related measures in required supplementary information; selection of assumptions and treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The state was required to implement this standard for the fiscal year ended June 30, 2017.

New Accounting Pronouncements Issues Not Yet Adopted:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and financial reporting for Other Postemployment Benefits (OPEB) that is provided to the employees of the state and local governmental employers. This Statement establishes standards for recognizing and

measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information requirements about defined benefit OPEB also are addressed.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This statement requires that a government recognize revenue when the resources become applicable to the reporting period.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for asset retirement obligations.

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB statements including blending component units, goodwill, fair value measurement and application, and postemployment benefits.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves accounting and financial reporting for insubstance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired only with existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt.

GASB Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities that were previously classified as operating leases and recognized as inflows of resources or outflows of resources. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

The accompanying financial statements present the financial position of the state and the various funds and fund types, the results of operations of the state and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2017, and for the year then ended. The financial statements include the various agencies, boards, commissions, public trusts, authorities and other organizational units governed by the Oklahoma State Legislature and/or Constitutional Officers of the State of Oklahoma.

A. Reporting Entity

The state has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the state to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the state. Local school districts (the state's support of the public education system is reported in the General Fund) and other local authorities of various kinds that may meet only one of the criteria for inclusion in this report have not been included.

As required by generally accepted accounting principles (GAAP), these financial statements present the State of Oklahoma (the Primary Government) and its component units.

Discretely Presented Component Units

Component units are entities which are legally separate from the state, but are financially accountable to the state, or whose relationships with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete. Separately issued independent audit reports may be obtained from the Office of Management and Enterprise Services, 5005 North Lincoln Blvd., Suite 100, Oklahoma City, Oklahoma 73105. The audit reports may also be obtained

from the respective component units at the addresses presented on the description page of the Fund Financial Statements section for the Major Component Units, and the description page in the Combining Financial Statement section of this report for the Non-Major Component Units.

The Component Units columns of the government-wide financial statements include the financial data of the following entities:

MAJOR COMPONENT UNITS

Oklahoma Student Loan Authority provides loan funds to qualified persons at participating educational institutions through the issuance of tax-exempt revenue bonds or other debt obligations. The Authority is composed of five members appointed by the governor, with the advice and consent of the Senate. The state can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2017, and their report, dated October 23, 2017, has been previously issued under separate cover.

Oklahoma Housing Finance Agency is authorized to issue revenue bonds and notes in order to provide funds to promote the development of residential housing and other economic development for the benefit of citizens. In addition, the Agency administers Section 8 Housing Assistance Payments programs for the U.S. Department of Housing and Urban Development. The Board of Trustees consists of five members appointed by the governor. The state can impose its will on the Agency by its ability to veto or modify the Agency's decisions. The Agency was audited by other independent auditors for the year ended September 30, 2016, and their report, dated January 24, 2017, has been previously issued under separate cover.

Oklahoma Turnpike Authority constructs, maintains, repairs, and operates turnpike projects at locations authorized by the Legislature and approved by the State Department of Transportation. The Authority receives its revenues from turnpike tolls and a percentage of turnpike concession sales. The Authority issues revenue bonds to finance turnpike projects. The Authority consists of the governor and six members appointed by the governor, with the advice and consent of the Senate. The state can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended December 31, 2016, and their report, dated March 28, 2017, has been previously issued under separate cover.

Grand River Dam Authority controls the waters of the Grand River system to develop and generate water power and electric energy, and to promote irrigation, conservation and development of natural resources. The Authority produces and distributes electrical power for sale to customers primarily located in northeastern Oklahoma. The customers consist of rural electric cooperatives, municipalities, industries and off-system sales. The seven member Board of Directors consists of the General Manager of the Oklahoma Association of Electric Cooperatives, the Executive Director of the Municipal Electric Systems of Oklahoma, and appointees by the governor, the Speaker of the House of Representatives, and the president pro tempore of the Senate. The state can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended December 31, 2016, and their report, dated March 31, 2017, has been previously issued under separate cover.

Oklahoma Municipal Power Authority provides a means for the municipal electric systems in the state to jointly plan, finance, acquire, and operate electrical power supply facilities. Facilities are financed through the issuance of revenue bonds, which are approved by the state's Bond Oversight Commission. Exclusion of the Component Unit would cause the state's financial statements to be misleading or incomplete. The Authority was audited by other independent auditors for the year ended December 31, 2016, and their report, dated March 31, 2017, has been previously issued under separate cover.

Higher Education Component Unit - This component unit is primarily comprised of the 25 colleges and universities that are members of the Oklahoma State System of Higher Education (the System). All of the colleges and universities have foundations that receive and hold economic resources for the benefit of their associated entity. These foundations are component units of their respective college or university and are included as part of the Higher Education Component Unit. Separately issued independent audit reports for

each college, university, foundation, or other included entity may be obtained from the Office of Management and Enterprise Services, 5005 North Lincoln Blvd., Suite 100, Oklahoma City, Oklahoma 73105. Each institution in the System is governed by a Board of Regents. The Boards of Regents consist of five to ten members appointed by the governor, with the advice and consent of the Senate. The state can impose its will on each institution by its ability to modify and approve their budget. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. Also included in the Higher Education Component Unit are the following entities:

- **Oklahoma State Regents for Higher Education** serves as the coordinating board of control for the System. The Board of Regents for Higher Education consists of nine members appointed by the governor, with the advice and consent of the Senate. The state can impose its will on the State Regents for Higher Education by its ability to modify and approve their budget.
- **Regional University System of Oklahoma** has legislative powers and duties to manage, supervise, and control operation of the six regional state universities which are the University of Central Oklahoma, East Central University, Northeastern State University, Northwestern Oklahoma State University, Southeastern Oklahoma State University, and Southwestern Oklahoma State University. The Board consists of the State Superintendent of Public Instruction and eight members appointed by the governor, with the advice and consent of the Senate. The state can impose its will on the Board of Regents by its ability to modify and approve their budget. Each of the six regional state universities has one or more foundations that are component units of their respective university and are included in the Higher Education Component Unit.
- **University Center of Southern Oklahoma (formerly known as Ardmore Higher Education Program)** was established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning. Students enrolled in the Center earn credit applicable toward academic degrees and certificates at participating institutions in the System. Participating Institutions are: East Central University, Murray State College, and Southeastern Oklahoma State University. The Center is administered by a Board of Trustees appointed by the governor, with the advice and consent of the Senate. The state can impose its will on the Center by its ability to modify and approve their budget.
- **Rose State College Technical Area Education District, South Oklahoma City Area School District, and Tulsa Community College Area School District #18** were created to provide postsecondary vocational, technical, and adult education programs for persons within their defined geographical boundaries. The primary source of operating funds is ad valorem taxes assessed against real property located in their districts. The Districts are component units of Rose State College, Oklahoma City Community College, and Tulsa Community College, respectively.
- **University Center at Ponca City** was established to make educational program resources in the Oklahoma State System of Higher Education available to the citizens in Northern Oklahoma and the Ponca City community. The Center is administered by a Board of Trustees consisting of nine members appointed by the governor with the advice and consent of the Senate. The state can impose its will on the Center by its ability to modify and approve their budget.

NONMAJOR COMPONENT UNITS

Oklahoma Educational Television Authority (OETA) was created to “make educational television services available to all Oklahoma citizens on a coordinated statewide basis.” The Board of Directors is comprised of thirteen members, seven of which are appointed by the governor, with the advice and consent of the Senate. A financial benefit/burden relationship exists between the state and OETA. OETA also has a non-profit foundation that was established to receive private donations and contributions for the benefit of OETA. This foundation qualifies as a component unit of OETA, and is combined with OETA. OETA was audited by other independent auditors for the year ended June 30, 2017, and their report, dated October 20, 2017, has been previously issued under separate cover.

Oklahoma Industrial Finance Authority assists with the state's industrial development by making loans to authorized industrial development agencies or trusts and new or expanding industries within Oklahoma. These loans are secured by first or second mortgages on real estate and equipment. The Authority's loans are financed by issuance of general obligation bonds. The Board of Directors is comprised of seven members appointed by the governor, with the advice and consent of the Senate. The state can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other

independent auditors for the year ended June 30, 2017, and their report, dated October 10, 2017, has been previously issued under separate cover.

Multiple Injury Trust Fund provides benefits to a worker with a pre-existing disability who suffers a second on-the-job injury. The state can impose its will on the Fund by its ability to remove management (appointees) at will. The Fund was audited by other independent auditors for the period ended December 31, 2016, and their report, dated June 29, 2017, has been previously issued under separate cover.

University Hospitals Authority consists of The University Hospital and Children's Hospital of Oklahoma, and their related clinics and other services. The Authority is affiliated with the University of Oklahoma Health Sciences Center whose medical school residents and staff provide patient care, in-service education, and certain administrative duties for the benefit of the Authority. The Authority is governed by a six-member board consisting of appointees of the governor, Speaker of the House of Representatives, and the president pro tempore of the Senate, and officials from the State Medicaid Program, the University of Oklahoma Health Sciences Center and the Authority. A financial benefit/burden relationship exists between the state and the Authority. The Authority was audited by other independent auditors for the year ended June 30, 2017, and their report, dated October 31, 2017, has been previously issued under separate cover.

Oklahoma Development Finance Authority provides financing for both public and private entities in the state. The Authority obtains funds through the issuance of bonds and notes. Private entities qualifying for financing are generally agricultural, civic, educational, health care, industrial, or manufacturing enterprises. Financing is also provided to governmental agencies and instrumentalities of the state. The Governing Board, appointed by the governor, with the advice and consent of the Senate, is comprised of seven members: one person selected from each of the six Congressional Districts of the state as they existed in 1960 and the Director of the Department of Commerce. The state can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2017, and their report, dated October 18, 2017, has been previously issued under separate cover.

Oklahoma Capital Investment Board assists the state with industrial development by mobilizing equity and near-equity capital making investments for the potential creation of jobs and growth that will diversify and stabilize the economy. The Board of Directors is comprised of five members appointed by the governor, with the advice and consent of the Senate. The state can impose its will on the Board by its ability to veto or modify the Board's decisions. The Board, in order to mobilize investments, owns the Oklahoma Capital Formation Company LLC (OCFC), a formerly independent corporation. During fiscal year 2006, the Board purchased 100% of the ownership of the OCFC. In fiscal year 2007, OCFC changed its corporate structure and name from a corporation to an Oklahoma limited liability company (LLC). Operations of the OCFC are included in the financial results of the Board. The Board was audited by other independent auditors for the year ended June 30, 2017, and their report, dated September 5, 2017, has been previously issued under separate cover.

Oklahoma State University Medical Authority is affiliated with the Oklahoma State University (OSU) Center for Health Sciences to provide funding, teaching and training for graduate medical students. It also serves as a site for conducting medical research by faculty and providing patient care. The board is governed by seven members which consists of the following: a member appointed by the governor, with the advice and consent of the Senate, a member appointed by the president pro tempore of the Senate, a member appointed by the Speaker of the House of Representatives, the Chief Executive Officer (CEO) of the Oklahoma Health Care Authority, or his or her designee, the president of the OSU Center for Health Sciences, CEO of the Oklahoma State University Medical Authority and an appointee of the president of Oklahoma State University. A financial benefit/burden exists between the Authority and the state. The Authority was audited by other independent auditors for the year ended June 30, 2017, and their report, dated October 26, 2017, has been issued under separate cover. In October 2013, Oklahoma State University Medical Trust, Oklahoma State University Medical Center Trust, and the Authority entered into a Tripartite Agreement and Plan of Merger. Under the terms of the merger agreement the Oklahoma State University Medical Center Trust merged with the Oklahoma State University Medical Trust. Oklahoma State University Medical Trust, the surviving entity, is deemed to be a component unit of the Authority due to the common governance.

FIDUCIARY COMPONENT UNITS

Six Public Employee Retirement Systems (PERS) administer pension funds for the state and its political subdivisions. The six PERS are subject to state legislative and executive controls and the administrative expenses are subject to legislative budget controls. These legally separate component units, while meeting the definition of a component unit, are presented in the fund financial statements along with other primary government fiduciary funds of the state. They have been omitted from the Government-Wide Financial Statements.

Separately issued independent audit reports are available even though they are excluded from the Government-Wide Financial Statements. They may be obtained from the Office of Management and Enterprise Services, 5005 North Lincoln Blvd., Suite 100, Oklahoma City, Oklahoma 73105, or the respective fiduciary component units at the addresses presented on the description page of the Combining Financial Statement section of this report.

Oklahoma Firefighters Pension and Retirement System provides retirement benefits for municipal firefighters. The System is administered by a board comprised of thirteen members: The president of the Professional Firefighters of Oklahoma, the president of the Oklahoma State Retired Firefighters Association, the State Insurance Commissioner, and the Director of the Office of Management and Enterprise Services (or their designee), the five members of the Board of Trustees of the Oklahoma Firefighters Association, and appointees by the Speaker of the House of Representatives, the president pro tempore of the Senate, and the president of the Oklahoma Municipal League. The System was audited by other independent auditors for the year ended June 30, 2017, and their report, dated October 12, 2017, has been previously issued under separate cover.

Oklahoma Law Enforcement Retirement System provides retirement benefits for qualified law enforcement officers. The System is administered by a board comprised of thirteen members: The Assistant Commissioner of Public Safety, the Director of the Office of Management and Enterprise Services (or their designee), members of the Department of Public Safety, the Oklahoma State Bureau of Investigation, the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control, and the Alcoholic Beverage Laws Enforcement Commission, and appointees by the governor, the Speaker of the House of Representatives, and the president pro tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2017, and their report, dated October 17, 2017, has been previously issued under separate cover.

Oklahoma Public Employees Retirement System administers the Oklahoma Public Employee Retirement Plan which provides retirement benefits for state, county and local employees. The board is comprised of fourteen members: the State Insurance Commissioner and the Director of the Office of Management and Enterprise Services (or their designee), a member of the Corporation Commission selected by the Corporation Commission, the Director of Human Capital Management of the Office of Management and Enterprise Services, a member of the Oklahoma Tax Commission selected by the Tax Commission, three appointees by the governor, one member appointed by the Supreme Court, two members appointed by the Speaker of the House of Representatives, and two members appointed by the president pro tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2017, and their report, dated October 13, 2017, has been previously issued under separate cover.

Uniform Retirement System for Justices and Judges is administered by the Oklahoma Public Employee Retirement System and provides retirement benefits for justices and judges. The Board of Trustees is comprised of fourteen members: a member of the Corporation Commission selected by the Commission, a member of the Tax Commission as selected by the Tax Commission, the Administrator of the Office of Personnel Management or designee, the State Insurance Commissioner or designee, and the Director of the Office of Management and Enterprise Services (or their designee). Of the remaining members, three are appointed by the governor, one is appointed by the Supreme Court, two are appointed by the Speaker of the House of Representatives and two are appointed by the president pro tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2017, and their report, dated October 13, 2017, has been previously issued under separate cover.

Oklahoma Police Pension and Retirement System provides retirement benefits for police officers employed by participating municipalities. The System is administered by a Board comprised of thirteen members: Seven members elected from the seven Districts, the State Insurance Commissioner and the Director of the Office of Management and Enterprise Services (or their designee), and appointees by the governor, the Speaker of the House of Representatives, the president pro tempore of the Senate, and the Oklahoma Municipal League. The System was audited by other independent auditors for the year ended June 30, 2017, and their report, dated September 19, 2017, has been previously issued under separate cover.

Teachers Retirement System of Oklahoma provides retirement allowances and benefits for qualified persons employed by state-supported educational institutions. The System is administered by a Board consisting of fifteen members: State Superintendent of Public Instruction, Director of the Office of Management and Enterprise Services (or designee), Director of the Oklahoma Department of Career and Technology Education (or designee), State Treasurer (or designee), two appointed by the governor with Senate approval, three appointed by the governor, two appointed by the president pro tempore of the Senate, two appointed by the speaker of the House of Representatives and one retired educators representative. The System was audited by other independent auditors for the year ended June 30, 2017, and their report, dated October 20, 2017, was previously issued under separate cover.

Related Organizations and Related Parties

Organizations, for which a primary government is accountable because the state appoints a voting majority of the board, but is not financially accountable, are considered to be related organizations. The Oklahoma Ordnance Works Authority (OOWA) is a related organization of the state. The state appoints a voting majority of the Trustees of OOWA but has no further accountability.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information for all of the non-fiduciary activities of the Primary Government and its Component Units. For the most part, the effect of interfund activity has been removed from these government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from the legally separate Component Units for which the Primary Government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The state does not allocate general government (indirect) expenses to other functions.

Net position is restricted when constraints placed on it is either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the state's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. However, the fiduciary funds are not included in the government-wide statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the state considers revenues to be available if they are collected within sixty days of the end of the current fiscal year end. Principal revenue sources considered susceptible to accrual include federal grants, interest on investments, sales and income taxes, and lease payments receivable. Some revenue items that are considered measurable and available to finance operations during the year from an accounting perspective are not available for expenditure due to the state's present appropriation system. These revenues have been accrued in accordance with GAAP since they have been earned and are expected to be collected within sixty days of the end of the period. Other revenues are considered to be measurable and available only when cash is received by the state.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

- Employees' vested annual leave is recorded as an expenditure as it is utilized. Unused reimbursable leave following an employee's resignation or retirement that is unpaid at year end is recognized as an expenditure and a liability of the fund.
- Interest on general long-term obligations is recognized when paid.
- Executory purchase orders and contracts are recorded as a commitment of fund balance.
- Debt service expenditures and claims and judgments are recorded only when payment is due.

Proprietary Funds, Fiduciary Funds and Similar Component Units, and Component Units Financial Statements – The financial statements of the proprietary funds, fiduciary funds and similar component units, and component units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the state's enterprise funds are requisitioned from the Oklahoma Unemployment Insurance Trust Fund held by the U.S. Treasury for payment of unemployment benefits, monthly premiums for self-funded insurance benefits provided to statutorily defined state employees by the Employees Group Insurance Department, interest revenue charges for loans made to local entities by the Oklahoma Water Resources Board (OWRB), and the sale of lottery tickets and related chance games by the Lottery Commission. The OWRB reports federal grants as both operating and nonoperating, depending on the types of grants received.

D. Fund Accounting

The financial activities of the state are recorded in individual funds, each of which is deemed to be a separate accounting entity. The state uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The financial activities of the state that are reported in the accompanying financial statements have been classified into the following major governmental and proprietary funds. In addition, a description of the fiduciary and component units follows:

1. Governmental Funds

General Fund - This fund accounts for all activities of the state not specifically required to be accounted for in other Funds. Included are transactions for services such as education, general government, health services, legal and judiciary, museums, natural resources, public safety and defense, regulatory services, social services, and transportation. Debt service transactions and related cash balances are reported in the General Fund with balances held to service imminent debt activity presented as a component of restricted fund balance.

Commissioners of the Land Office Permanent Fund – This fund accounts for the land and cash granted to the state by the United States Congress for the use and benefit of educational systems in Oklahoma. This fund's assets are held by the state and only the income derived from the principal may be expended for designated operations. The principal must be preserved intact.

Department of Wildlife Conservation Permanent Fund – This fund accounts for moneys held in trust for the improvement and preservation of wildlife. The moneys have been accumulated from the sale of lifetime hunting and fishing licenses. This fund's assets are held by the state and only the income derived from the principal may be expended for designated operations. The principal must be preserved intact.

Tobacco Settlement Endowment Permanent Fund – This fund accounts for certain moneys transferred from the General Fund that were received in settlement of claims by the state against tobacco manufacturers. The earnings from these moneys are to be utilized for research, education, prevention and treatment of tobacco related diseases and certain other health programs. The principal must be preserved intact.

2. Proprietary Funds

These funds account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to the general public, or where sound financial management dictates that periodic determinations of results of operations are appropriate.

Employees Group Insurance Department of the Office of Management and Enterprise Services provides group health, life, dental, disability and other benefits to active state employees and local government employees, as well as varying coverages for active education employees and certain participants of the state's retirement systems, survivors, and persons covered by the health provision in the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA). Coverages are funded by monthly premiums paid by employers and employees.

Employment Security Commission Enterprise Fund - This fund accounts for the deposit of moneys requisitioned from the Unemployment Insurance Trust Fund held by the United States Treasury for payment of unemployment benefits and administrative costs.

Oklahoma Water Resources Board Enterprise Fund - This fund is comprised of Oklahoma Water Resources Board and the Department of Environmental Quality bond issues and revolving loan programs. These programs make loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems.

Oklahoma Lottery Commission Enterprise Fund – This fund operates the state-wide lottery program and related chance games, seeking to generate additional revenues for the benefit of the state's educational system.

3. Fiduciary Funds and Similar Component Units

The state presents as fiduciary funds those activities that account for assets held in a trustee capacity or as an agent for individuals, private organizations or other governmental units.

Pension Trust Funds - These Funds account for the transactions, assets, liabilities, and net position of the Wildlife Conservation Retirement Plan in the Primary Government, and six Public Employee Retirement Systems (PERS) that meet the definition of a component unit of the state.

Agency Funds - These Funds account for the assets held for distribution by the state as an agent for other governmental units, other organizations or individuals.

4. Component Units

These entities are legally separate from the state but are considered part of the reporting entity. These Funds meet the definition of both a component unit and that of an enterprise fund as previously described. The six Public Employee Retirement Systems (PERS) meet the definition of a component unit, but are presented with the other fiduciary funds of the state.

5. Financial Statement Reporting Periods

The accompanying financial statements of the state are presented as of June 30, 2017, and for the year then ended, except for the following funds and entities which were audited by other independent auditors.

Multiple Injury Trust Fund	12-31-16
Employees Group Insurance Department	12-31-16
Oklahoma Turnpike Authority	12-31-16
Grand River Dam Authority	12-31-16
Oklahoma Municipal Power Authority	12-31-16
Oklahoma Housing Finance Agency	09-30-16

E. Budgeting and Budgetary Control

The state's annual budget is prepared on the cash basis utilizing encumbrance accounting. Encumbrances represent executed but unperformed purchase orders. In the accompanying financial statements, encumbrances are recorded as expenditures for budgetary purposes if expected to be presented for payment by November 15 following the end of the fiscal year and as a component of either restricted or committed fund balance for GAAP purposes. Since the budgetary basis differs from GAAP, budget and actual amounts in the accompanying Required Supplementary Information – Budgetary Schedules are presented on the budgetary basis. A reconciliation of revenues in excess of (less than) expenditures and other financing sources (uses) on a budgetary basis at June 30, 2017 to revenues in excess of (less than) expenditures and other financing sources (uses) presented in conformity with GAAP is set forth in the Notes to Required Supplementary Information.

The governor prepares and submits to the Legislature at the beginning of each annual legislative session a balanced budget based on budget requests prepared by the various state agencies. The General Fund is the only Fund for which an annual budget is legally adopted. Budgeted expenditures cannot exceed the amount available for appropriation as certified by the State Board of Equalization. The Legislature may modify the governor's proposed budget as it deems necessary and legally enacts an annual state budget through the passage of appropriation bills. The governor has the power to approve or veto each line item appropriation.

The legal level of budgetary control is maintained at the line item level (i.e., General Operations, Duties, etc.) identified in the appropriation acts. Budgets may be modified subject to statutory limits on transfers. The Secretary of State Finance, Administration, and Information Technology can approve transfers of up to 25% between line items. The Contingency Review Board (a three-member board comprised of the governor, the president pro tempore of the Senate, and the Speaker of the House of Representatives) can approve transfers between line items of up to 40%. All transfers are subject to review by the Joint Legislative Committee on Budget and Program Oversight to determine if the transfer tends to effectuate or subvert the intention and objectives of the Legislature.

Current policy allows agencies to use unexpended moneys for one-time purchases or non-recurring expenditures in the next fiscal year. This policy provides an incentive for agency managers to distribute resources efficiently; however, it is subject to annual approval by the Legislature. Unexpended balances not carried forward to the new fiscal year by November 15 may: 1) lapse to unrestricted balances and be available for future appropriation, 2) lapse to restricted balances and be available for future appropriations restricted for specific purposes as defined by statute, or 3) be non-fiscal, and may be spent from one to thirty months from the date of appropriation.

If funding sources are not sufficient to cover appropriations, the Secretary of State Finance, Administration, and Information Technology is required to reduce the budget by the amount of such deficiency. Any other changes to the budget must be approved by the Legislature in a supplemental appropriation. All fiscal year 2017 appropriated line items were within their authorized spending level.

F. Cash and Cash Equivalents

The state uses a pooled cash concept in maintaining its bank accounts. All cash is pooled for operating and investment purposes and each fund has relative equity in the pooled amount. For reporting purposes, cash and related time deposits have been allocated to each fund based on its equity in the pooled amount. Interest earned on investments is allocated to the General Fund except for those investments made specifically for the proprietary fund type, fiduciary fund type, proprietary component units, and higher education component unit, for each of which investment revenue is allocated to the investing fund.

The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the state in each such institution. The State Treasurer also promulgates all rules and regulations regarding the amount of collateral securities that must be pledged to secure public deposits.

The Oklahoma Employment Security Commission Trust Fund is maintained to account for the collection of unemployment contributions from employers and the payment of unemployment benefits to eligible claimants. As required by Federal Law, all resources not necessary for current benefit payments are placed on deposit with the United States Treasury. Interest from these resources is retained in the Fund.

For purposes of reporting cash flows, cash equivalents are defined as short-term, highly liquid investments with a maturity of three months or less that are readily convertible to cash.

G. Investments

Investments, which may be restricted by law or legal instruments, are under control of either the State Treasurer or other administrative bodies as determined by law.

Generally accepted accounting principles establish a fair value hierarchy for the determination and measurement of fair value. This hierarchy is based on the type of valuation inputs needed to measure the fair value of an asset. The hierarchy generally is as follows:

1. Level 1 – Unadjusted quoted prices in active markets for identical assets
2. Level 2 – Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs
3. Level 3 – Pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset

H. Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Governmental fund type receivables consist primarily of amounts due from the Federal government. Interest and investment revenue receivable in all funds consist of revenues due on each investment. Taxes receivable in governmental funds represent taxes subject to accrual, primarily income taxes and sales taxes, which are collected within sixty days after year end. Lease payments receivable in the General Fund consists primarily of capital lease payments due for equipment and railroad lines owned by the Department of Transportation. Collectability of these lease payments is reasonably assured and no allowance for uncollectible amounts has been established.

Taxes receivable in enterprise funds represents unemployment taxes due at year end, net of an allowance for uncollectible amounts. The uncollectible amounts are based on collection experience and a review of the status of existing receivables.

I. Inter/Intrafund Transactions

Interfund Transactions - The state has two types of interfund transactions:

- Services rendered transactions are accounted for as revenues and expenditures or expenses in the funds involved.
- Operating appropriations/subsidies are accounted for as transfers in the funds involved.

Intrafund Transactions - Intrafund transfers, as a result of contracts among departments and/or agencies within the same fund, are considered expenditures by the contractor and revenues by the contractee for budgetary purposes. The Required

Supplementary Information – Budgetary Schedules includes these transactions. However, as a general rule recorded intrafund revenues and expenditures have been eliminated in the GAAP-basis Government-Wide Financial Statements. A portion of motor fuel excise taxes collected on fuels consumed on the state's turnpikes is made available to the Oklahoma Turnpike Authority (OTA) from the Oklahoma Tax Commission. These taxes are apportioned to OTA monthly to fund debt service, but only to the extent amounts are not otherwise available to OTA. If the motor fuel excise taxes apportioned to OTA are not needed in the month of apportionment, the taxes are transferred to the Department of Transportation (DOT). Before these monthly transfers were mandated, a balance owed to DOT had accumulated and at year end this balance is presented as a noncurrent Due to Other Funds on the financial statements of OTA.

J. Inventories and Prepaid Expenses

Inventories of materials and supplies are determined both by physical counts and through perpetual inventory systems. Generally, inventories are valued at cost and predominantly on either the first-in first-out or weighted average basis. Inventories of federal surplus properties are valued at a percentage of federal acquisition cost. General Fund inventories are recorded as expenditures when consumed rather than when purchased by recording adjustments to the inventory account on the balance sheet. The General Fund inventories on hand at year-end are reflected as a component of nonspendable fund balance on the balance sheet, except for \$1,215,000 in food commodities which is recorded as inventory and deferred revenue. Upon distribution, the food commodities are recognized as revenues and expenditures of the General Fund.

The value of the inventory of food commodities in the General Fund is calculated by using a weighted average cost based on the U.S. Department of Agriculture commodity price list at the inventory receipt date. The value of the inventory of food stamps in the General Fund is valued at coupon value.

Higher education component unit inventories are stated at the lower of cost or market, with cost being determined on either the first-in first-out or average cost basis.

Prepaid expenses are recorded using the “purchases method,” meaning that they are initially recorded as expenditures. At fiscal year-end, significant amounts of prepaid expenditures are shown as a component of nonspendable fund balance, indicating they do not constitute available expendable resources.

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (which are normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items), are reported in the applicable governmental or business-type activities columns in the Government-Wide Financial Statements. Capital assets are defined by the state as assets which have a cost of \$25,000 or more at the date of acquisition and have an expected useful life of five or more years. Purchased and constructed capital assets are valued at historical cost or estimated historical cost. Donated capital assets are recorded at their fair market value at the date of donation, unless received as part of a service concession arrangement at which point they would be recorded at acquisition cost..

The estimates of historical costs of buildings and other improvements were based on appraised value, as of August 4, 1994, indexed to the date of acquisition. Infrastructure constructed prior to July 1, 2000 has been recorded at estimated historical cost. The estimated historical cost for years 1916-2000 was based on capital outlay expenditures reported by DOT and the Federal Highway Administration, less an amount estimated for the historical cost of the acquisition of land for right-of-way. The costs of normal maintenance and repairs that do not add to the asset's value or materially extend an asset's useful life are not capitalized. Interest incurred during construction of capital facilities is not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and component unit's financial statements.

Capital assets of the Primary Government and the component units are depreciated on the straight-line method over the assets' estimated useful life. There is no depreciation recorded for land and construction in progress. Generally, estimated useful lives are as follows:

Machinery and Equipment	3 - 20 years
Buildings and Other Improvements	7 - 60 years
Infrastructure	30 years

Collections and works of art are not included in capital assets of the Primary Government on the Statement of Net Position. GASB Statement No. 34 does not require capitalization of collections if they meet all of the following criteria: held for public exhibition, education, or research in furtherance of service, rather than financial gain; protected, kept unencumbered, cared for, and preserved; and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. The state elected not to capitalize collections and works of art since they meet all of the above conditions.

L. Other Assets

Included in other assets (noncurrent for component units) are costs to be recovered from future revenues. Certain items included in the operating costs of Grand River Dam Authority, an unregulated enterprise, are recovered through rates set by the Board of Directors. Recognition of these costs, primarily depreciation on debt funded capital assets, amortization of debt discount and expense, and amortization of losses on advance refunding of long-term debt, is deferred to the extent that such costs will be included in rates charged in future years. The Oklahoma Municipal Power Authority (OMPA) enters into power sales contracts with participating municipalities that provide for billings to those municipalities for output and services of the projects. Revenues from these contracts provide for payment of current operating and maintenance expenses (excluding depreciation and amortization), as well as payment of scheduled debt principal and interest, and deposits into certain funds as prescribed in the bond resolutions. For financial reporting purposes, OMPA currently recognizes depreciation of assets financed by bond principal and amortization expense. The difference between current operating expenses and the amounts currently billed under the terms of the power sales contracts are delayed to future periods in which these amounts will be recovered through revenues.

M. Unearned Revenue

Unearned revenues at the fund level arise when potential revenue does not meet the available criterion for recognition in the current period. Available is defined as due (or past due) at June 30, and collected within sixty days thereafter to pay obligations due at June 30. Unearned revenues also arise when resources are received by the state before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the state has a legal claim to the resources, the liability for unearned revenue is removed from the combined statement of net position, and revenue is recognized. Unearned revenues at the government-wide level arise only when the state receives resources before it has a legal claim to them. Also included in unearned revenue at both levels are the undistributed food commodity inventories.

N. Compensated Absences

Employees earn annual vacation leave at the average rate of 10 hours per month for the first 5 years of service, 12 hours per month for service of 5 to 10 years, 13.33 hours per month for service of 10 to 20 years, and 16.67 hours per month for over 20 years of service. Unused annual leave may be accumulated to a maximum of 240 hours for employees with less than 5 years of continuous service or 480 hours for employees with 5 years or more of continuous service. All accrued annual leave is payable upon termination, resignation, retirement, or death. The governmental fund financial statements record expenditures when employees are paid for leave. The government-wide financial statements present the cost of accumulated vacation leave as a liability. The liability is valued based on current rate of pay. There is no liability for unpaid accumulated sick leave since the state does not have a policy to pay this amount when employees separate from service.

O. Risk Management

The Risk Management Department of the Office of Management and Enterprise Services is responsible for the acquisition and administration of all insurance purchased by the state, or administration of any self-insurance plans and programs adopted for use by the state or for certain organizations and bodies outside of state government, at the sole expense of such organizations and bodies.

The Risk Management Department is authorized to settle claims of the state and oversee the dispensation and/or settlement of claims against a state political subdivision. In no event shall self-insurance coverage exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Governmental Tort Claims Act. The Risk

Management Department oversees the collection of liability claims owed to the state incurred as the result of a loss through the wrongful or negligent act of a private person or other entity.

The Risk Management Department is also charged with the responsibility to immediately notify the Attorney General of any claims against the state presented to Risk Management.

P. Federal Grants

In addition to monetary transactions, federal grants also include non-monetary transactions for surplus inventory, food stamps, food, and other commodities. Surplus inventory is valued at a percentage of government acquisition cost. Food stamps are valued at coupon value. Commodities are valued at their federally reported value in the General Fund.

Q. Long-Term Obligations

Premiums, Discounts and Issuance Costs – In the government-wide financial statements, long-term debt and other long-term obligations are presented in the columns for governmental and business-type activities. The same is presented in the Proprietary Fund Financial Statements. Bond and note premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt. Bonds and notes payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported in the period incurred.

In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures in the period incurred.

Arbitrage Rebate Liability – The enterprise funds and component units account for any arbitrage rebate payable as a liability of the fund.

R. Governmental Fund – Fund Balance

The governmental fund financial statements present fund balance at the aggregate level of detail within the categories defined by GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Refer to Note 12 for further discussion.

S. Deficit Fund Balance – Multiple Injury Trust Fund/Oklahoma Capital Investment Board

The Multiple Injury Trust Fund (MITF), a component unit, continues to operate in a deficit situation. MITF had total net liabilities (negative net position) of \$420,877,000 at December 31, 2016. Legislation was passed in May 2000 providing new funding for MITF through an assessment on gross premiums on workers compensation policies written by insurance carriers and an assessment on disability awards paid by self-insured employers, and further limits future awards against MITF to claimants that timely filed injury claims that occurred before June 1, 2000, against their employer. These claimants have no time limitation for filing against MITF. No new claims related to injuries subsequent to June 1, 2000, can be filed. Funding is to continue until the Workers' Compensation Commission has certified that there are sufficient funds to satisfy all outstanding obligations of MITF.

The Oklahoma Capital Investment Board (OCIB), a component unit, operated at a deficit for the fiscal year. In fiscal year 2006, the OCIB purchased 100% of the ownership of the Oklahoma Capital Formation Company LLC (OCFC), a formerly blended entity. This purchase brought on the long-term liabilities of the OCFC, and as a result, puts the OCIB in a negative net asset position. For the fiscal year ended June 30, 2017, the OCIB had negative net position of \$2,861,000. The OCIB takes a long-term approach to economic stimulation, and it is anticipated that a negative net position balance could persist well into the future.

T. Pollution Remediation Obligations

During the fiscal year ended June 30, 2017, it was determined that several agencies incurred expenses of \$2,137,000 for pollution obligations related to hazardous material on highways and asbestos removal, where clean-up is generally required to comply with federal regulations. This type of remediation is generally a control obligation performed as part of current operations during road construction or building renovation. There was also a liability incurred of \$3,067,000 which is included in accounts payable on the government-wide financial statements.

Pollution remediation obligation is determined by the agency responsible for performing the remediation. These estimates are subject to revision because of price increases or reductions, changes in technology, or changes in applicable laws or regulations. There are currently no expectations of cost recoveries from ongoing projects.

Note 2. Deposits and Investments

The state treasurer maintains two investment portfolios. The treasurer's portfolio is used to manage the investments of all state moneys that are under the control of the treasurer where earnings accrue to the General Fund of the state. The State Agency Portfolio is used for the investment of a limited number of state agencies specifically authorized by statute to direct the activities of certain funds and accounts where the earnings accrue to those funds and accounts. Ancillary to the treasurer's portfolio is an internal investment pool, OK INVEST, for all state funds and agencies that are considered part of the State of Oklahoma. All cash balances held through the state treasurer for the Primary Government, Component Units and Fiduciary Funds earn a return through the OK INVEST pool program.

In accordance with statutes, the state treasurer's investment policy allows for investments in the following categories:

United States Treasury Bills, Notes and Bonds	Collateralized or insured certificates of deposit
United States Government Agency Securities	Negotiable certificates of deposit
Prime Banker's acceptances	Prime commercial paper
Investment grade obligations of state and local governments	Repurchase agreements
Short-term bond funds	Money market funds
Foreign bonds	

The state treasurer's investment policy attempts to reduce portfolio risk through diversification by security, institution and maturity. With the exception of U.S. Treasury securities, no more than 50% of the state's total funds available for investment will be invested in a single security or with a single financial institution. In addition, the treasurer's investments will not have an average maturity greater than 4 years unless otherwise specifically designated by the treasurer. The following table outlines the state treasurer's diversification limits designed to control various types of risk:

Investment Type	Percentage of Total Invested	Percentage of Total by Issuer	Maturity Limit	Rating
Treasuries	No Limit	No Limit	10 Years	Aaa,AAA
U.S Government Agency Securities	50%	35%	10 Years	Aaa,AAA
U.S. Government Agency Mortgage Backed Securities	45%	No Limit	7 Years	Aaa,AAA
Collateralized or Insured Certificates of Deposit	Limit of \$35 Million per financial institution		365 Days	N/A
Negotiable Certificates of Deposit	7.5%	2.5%	180 Days	A-1 & P-1
Bankers Acceptance	7.5%	2.5%	270 Days	A-1 & P-1
Commercial Paper	7.5%	2.5%	180 Days	A-1 & P-1
State and Local Government Obligations	10%	5.0%	30 Years	Securities must not be less than investment grade at purchase
Repurchase and Tri-party Repurchase Agreements	30%	10%	14 Days	A-1
Money Market Mutual Funds	30%	10%	N/A	AAAm
Foreign Bonds	2.5%	Must be listed as an industrialized country by the International Monetary Fund	5 Years	A-/A3 or better

The Primary Government's three permanent funds, Commissioners of the Land Office, Department of Wildlife Lifetime Licenses and the Tobacco Settlement Endowment all have investment goals and horizons that differ from the state treasurer. Accordingly, the investment policies for the permanent funds allow for broader classes of investments as well as extended dates of maturity.

The Employment Security Commission, Water Resources Board, Office of Management and Enterprise Services-Employees Group Insurance Department (EGID) and Lottery Commission are the four business-type activities within the Primary Government. These agencies generally have investment policies that correlate to the operations and services that they perform. The Employment Security Commission generally will not invest outside of U.S. Government securities and typically maintains deposit balances only. The Water Resources Board, EGID and Lottery Commission all operate with longer investment horizons, and as part of normal operations, will attempt to match maturities of investments with the approaching maturity of liabilities.

Due to the nature of the internal investment pool, ownership of investments cannot be assigned to individual funds, including the Pension Trust Funds and Component Units. The investment pool also holds securities purchased with cash collateral from securities lending, which are not assigned to individual funds. For these reasons, total investments will not agree to the financial statements for the Primary Government. The following table details the investments held by the Primary Government at June 30, 2017 (expressed in thousands):

Investments - Primary Government				
Investment Type	Government Administration	Permanent Funds	Business-Type Activities	Total Primary Government
POOLED INVESTMENTS				
US Agency & Treasury	\$ 4,315,991	\$ 6,226	\$ -	\$ 4,322,217
Money Market Mutual Funds	-	4,503	-	4,503
Securities Lending Collateral Pool	82,885	139,788	-	222,673
Mutual Funds	2,364	65,464	-	67,828
Certificates of Deposit & Commercial Paper	232,485	-	-	232,485
State & Muni Bond Issues	124,016	511	-	124,527
NON-POOLED INVESTMENTS				
US Agency & Treasury	21,396	447,554	174,523	643,473
Domestic Corporate Bonds	-	758,236	67,738	825,974
Foreign Corporate Bonds	49,992	202,014	-	252,006
Domestic Equities	25,104	1,380,296	48,298	1,453,698
Foreign Equities	-	191,927	-	191,927
Other	-	449,162	70,038	519,200
Money Market Mutual Funds	137	-	-	137
Totals	\$ 4,854,370	\$ 3,645,681	\$ 360,597	\$ 8,860,648

The Primary Government categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Primary Government used the Market Approach for valuation purposes. The following table details the fair value of investments held by the Primary Government at June 30, 2017 (expressed in thousands):

Primary Government Fair Value Measurements at Reporting Date Using				
	Amounts Measured At Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments Measured by Fair Value				
Debt Securities				
US Treasury, Agency and Municipal Securities	\$ 5,090,217	\$ 360,307	\$4,729,543	\$ 367
Certificates of Deposit & Commercial Paper	232,485	-	232,485	-
US Corporate Debt	825,974	199	823,879	1,896
Foreign Corporate Bonds	252,006	-	222,006	30,000
Equity Securities				
US Domestic Equities	1,087,620	1,087,516	42	62
Foreign Equities	191,927	189,491	-	2,436
Mutual Funds	67,828	65,464	2,364	-
Other	375,843	130,171	71,646	174,026
Total Investments Measured at Fair Value	\$ 8,123,900			
Investments Measured at Amortized Cost	\$ 4,640			
Investments Measured at Net Asset Value (NAV)	\$ 509,435			

Fiduciary Funds and Similar Component Units

The Fiduciary Funds of the state have investment goals that vary significantly from the Primary Government. Due to the long term nature of these funds, investment options are broader and maturities can be longer than that of the Primary Government. These funds generally have investment policies allowing for investments in stocks, bonds, fixed income securities and other investment securities including commingled, mutual and index funds. Generally policies allow for a portion of investments to be held in securities of foreign companies and countries. Policies also allow for portions of the total portfolio to be held in derivatives and derivative like investments such as U.S. Treasury Strips, collateralized mortgage obligations, convertible securities and variable rate instruments.

The Fiduciary Funds categorize fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment. The following table details the fair value of investments held by the Fiduciary Funds at June 30, 2017 (expressed in thousands):

Pension Trust Funds Fair Value Measurements at Reporting Date Using				
	Amounts Measured At Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments Measured by Fair Value				
Debt Securities				
US Treasury, Agency and Municipal Securities	\$ 3,532,199	\$ 587,447	\$ 2,944,752	\$ -
US Corporate Debt	3,356,985	-	3,307,933	49,052
Foreign Corporate Bonds	379,831	-	300,342	79,489
Equity Securities				
US Domestic Equities	13,639,451	12,732,098	905,967	1,386
Foreign Equities	1,692,143	1,132,702	559,441	-
Other	687,408	-	-	687,408
Total Investments Measured at Fair Value	\$ 23,288,017			
Investments Measured at Amortized Cost	\$ 2,499			
Investments Measured at Net Asset Value (NAV)	\$ 7,377,922			

Component Units

The Component Units of the state have varied investment goals based on the demands of their specific enterprise, and commonly have investment policies that allow for broader asset classes and longer maturities than that of the Primary Government. Various finance authorities invest in an attempt to match targeted returns to the maturity of liabilities. The Higher Education Component Unit is comprised of numerous foundations that invest in order to maximize gains for the institutions that they support. These foundations may also hold assets of different classes as part of donor restrictions and covenants. The Component Units categorize fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment. The following table details the fair value of investments held by Component Units at June 30, 2017 (expressed in thousands):

		Component Units Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments Measured by Fair Value	Amounts Measured At Fair Value			
Debt Securities				
US Treasury, Agency and Municipal Securities	\$ 975,993	\$ 442,681	\$ 533,282	\$ 30
US Corporate Debt	101,972	69,007	32,874	91
Foreign Corporate Bonds	70,602	70,602	-	-
Equity Securities				
US Domestic Equities	855,323	727,454	159	127,710
Foreign Equities	246,904	246,904	-	-
Other	1,938,147	504,341	765,947	667,859
Total Investments Measured at Fair Value	\$ 4,188,941			
Investments Measured at Amortized Cost	\$ 306,750			
Investments Measured at Net Asset Value (NAV)	\$ 962,868			

A. Custodial Credit Risk

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the state will not be able to recover the value of its investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, not registered in the name of the state, or held by the counterparty or its trust department but not in the state's name.

Primary Government

The state treasurer requires that financial institutions deposit collateral securities to secure the deposits of the state in each such institution. The amount of collateral securities to be pledged for the security of public deposits is established by rules promulgated by the state treasurer. In accordance with the Office of State Treasurer's policies, the collateral securities to be pledged by financial institutions through the State Treasurer's Office are pledged at market value and must be at 110% of value to collateralize the amount on deposit, less any federal insurance coverage. All investments held by the state treasurer are insured, registered, or held in the name of the state treasurer.

As of June 30, 2017, the Primary Government's bank balances of deposits are fully insured or collateralized with securities held by an agent of the state in the state's name. In addition to these deposits, the state has approximately \$1,020,024,000 on deposit with the U.S. Government. These funds represent unemployment insurance taxes collected from Oklahoma employers that are held by the U.S. Treasury. The book value of deposits does not materially differ from the bank balance.

Fiduciary Funds and Similar Component Units

The Pension Trust Funds, fiduciary component units of the state, have investment policies that do not specifically address custodial credit risk of deposits and investments. However, each Pension Trust Fund utilizes multiple investment managers and limits cash and short-term investments to no more than 5% of each investment manager's portfolio. At June 30, 2017, the Pension Trust Funds had deposits and cash equivalents of \$535,388,000 of which \$29,486,000 were uninsured and uncollateralized.

Component Units

Generally, the Component Units of the state have investment policies that do not specifically address or limit custodial credit risk of deposits and investments. All Component Units typically follow the diversification and securitization of deposit policies defined by the state treasurer in an effort to minimize custodial credit risk.

B. Credit Risk

Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the debt instrument issuer's ability to meet its obligation. The state, its Fiduciary Funds and Component Units utilize the credit quality ratings issued by Moody's, Standard and Poor's, or Fitch in determining the risk associated with its fixed-income investments. Obligations of the U.S. Government or those explicitly guaranteed by the U.S. Government are not considered to have credit risk. Certain debt instruments are commingled investments that do not have an applicable credit risk rating. These investments are presented as not rated in the accompanying tables.

Primary Government

As outlined in an earlier table, the state treasurer seeks to hold investments with a rating of A or higher as rated by Moody's. Generally, the Permanent Funds and the business-type activities seek to maintain the same or higher rating. The Water Resources Board, which has a high concentration of investments with one issuer, requires that issuer to maintain an average credit rating of AA or higher. Should this issuer's rating fall below AA, it is required to collateralize the guaranteed investments sufficient to maintain an AA rating on the contracts. At June 30, 2017, the Primary Government had the following investments subject to credit risk (expressed in thousands):

Credit Risk - Primary Government					
Investment Rating Moody's/S&P/Fitch	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	\$ 2,826,488	\$ -	\$ 37,952	\$ -	\$ 2,864,440
Aa/AA/AA	2,252,159	532	34,884	2,894	2,290,469
A/A/A	4,936	1,478	64,516	30,127	101,057
Baa/BBB/BBB	2,681	2,503	401,126	59,886	466,196
Ba/BB/BB	-	7,587	43,086	56,023	106,696
B/B/B	-	3,728	145,695	22,450	171,873
Caa/CCC/CCC	-	-	21,293	3,198	24,491
Ca/CC/CC	-	-	780	-	780
C/C/C	-	-	798	-	798
D/D/D	1,206	-	425	-	1,631
Not Rated/Not Applicable	2,236	-	80,570	61,600	144,406
Total	\$ 5,089,706	\$ 15,828	\$ 831,125	\$ 236,178	\$ 6,172,837

Fiduciary Funds and Similar Component Units

The Pension Trust Funds typically hold a significant portion of assets in the form of debt instruments. Each Pension Trust Fund has an investment policy governing their credit risk exposure. Generally, at the time of purchase, investments in domestic fixed-income investments must carry the highest rating either Aaa, (Moody's) or AAA, (S&P, Fitch) as determined by the national rating organizations. International debt instruments must be Baa or BBB at the time of purchase. Overall, each investment policy generally requires that an average credit quality rating of A or higher be

maintained for total debt instrument holdings. At June 30, 2017, the Pension Trust Funds had the following credit risk exposure (expressed in thousands):

Credit Risk - Pension Trust Funds

Investment Rating Moody's/S&P/Fitch	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	\$ 3,051,743	\$ -	\$ 364,218	\$ 6,030	\$ 3,421,991
Aa/AA/AA	77,015	-	128,709	21,420	227,144
A/A/A	16,144	-	469,286	39,245	524,675
Baa/BBB/BBB	743	9,082	896,454	14,045	920,324
Ba/BB/BB	-	484	525,040	12,318	537,842
B/B/B	-	-	350,582	1,512	352,094
Caa/CCC/CCC	-	-	70,072	-	70,072
Ca/CC/CC	-	-	2,073	-	2,073
C/C/C	-	-	803	-	803
D/D/D	-	-	6,447	-	6,447
Not Rated/Not Applicable	698,922	-	543,301	275,695	1,517,918
Total	\$ 3,844,567	\$ 9,566	\$ 3,356,985	\$ 370,265	\$ 7,581,383

Component Units

The Component Units usually hold a significant portion of their respective portfolios in debt instruments. Each Component Unit has an investment policy governing credit risk. As a general rule, the Component Units have more liberal investment policies than the Primary Government that allow for greater levels of credit risk regarding debt securities. Foundations within the Higher Education Component Unit also hold a significant portion of their total debt portfolio as either bond funds or money market mutual funds. These debt instruments are generally pooled or commingled investments and are not subject to credit risk disclosures. Investments in U.S. Government securities are not subject to credit risk. At June 30, 2017, the Component Units had the following credit risk exposure (expressed in thousands):

Credit Risk - Component Units

Investment Rating Moody's/S&P/Fitch	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	\$ 673,490	\$ -	\$ 41,839	\$ -	\$ 715,329
Aa/AA/AA	24	-	-	-	24
D/D/D	-	-	2,373	-	2,373
Not Rated/Not Applicable	313,868	-	364,510	70,602	748,980
Total	\$ 987,382	\$ -	\$ 408,722	\$ 70,602	\$ 1,466,706

C. Concentration of Credit Risk

Primary Government

The state treasurer's investment policy seeks to mitigate concentration of credit risk through targeted diversification limits as outlined earlier in this note. With the exception of U.S. Treasury securities, no more than 50% of the state's total funds available for investment will be invested in a single security type or with a single financial institution. The Water Resources Board, a business-type activity of the Primary Government, has no policy limiting amounts that may be invested in one issuer.

D. Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. Duration is a measure of a debt instrument's exposure to fair value changes arising from changes in interest rates based on the present value of future cash flows, weighted for those cash flows as a percentage of the investment's full price. Modified duration estimates the sensitivity of a bond's price to interest rate changes. The state, its Fiduciary Funds, and Component Units use either duration, modified duration or weighted average years outstanding as the standard measures

for assessing interest rate risk. Generally, the longer the duration or years outstanding, the greater sensitivity an investment has to interest rate risk.

Primary Government

As outlined in a previous table, the state treasurer follows an investment policy seeking to keep the average maturity for its entire portfolio to less than four years. The Permanent Funds and the business-type activities of the Primary Government do not have the same liquidity demands as the treasurer, and as a matter of policy are not as restrictive regarding maturities. At June 30, 2017, the Primary Government had the following investments with maturities (expressed in thousands):

Interest Rate Risk - Primary Government					
Weighted Average Years to Maturity	US Treasury, Agency and Municipal Securities	International Government Instruments	US Corporate Debt Instruments	International Debt Instruments	Total
Less than 1 year Weighted Average to Maturity	\$ 2,246,838	\$ -	\$ 137	\$ 49,992	\$ 2,296,967
1 - 5 years	2,627,771	-	132,748	29,217	2,789,736
6 - 10 years	42,712	15,828	693,737	156,969	909,246
10 or more years	29,401	-	-	-	29,401
No Maturity or Not Applicable	142,984	-	4,503	-	147,487
Total	\$ 5,089,706	\$ 15,828	\$ 831,125	\$ 236,178	\$ 6,172,837

Fiduciary Funds and Similar Component Units

The Pension Trust Funds generally do not have a formal investment policy on interest rate risk. However, interest rate risk is generally controlled through diversification of portfolio management styles. Each Pension Trust Fund reviews the performance of each investment manager, and monitors the interest rate risk as part of the performance assessment. At June 30, 2017, the Pension Trust Funds had the following exposure to interest rate risk (expressed in thousands):

Interest Rate Risk - Pension Trust Funds					
Duration or Weighted Average Years	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Less than 1 year duration	\$ 2,889	\$ -	\$ 343,457	\$ 6,086	\$ 352,432
1 - 5 years	940,981	-	1,898,041	19,777	2,858,799
6 - 10 years	422,584	9,566	814,936	33,981	1,281,067
10 or more years	2,466,116	-	111,653	35,725	2,613,494
No Duration	11,997	-	188,898	274,696	475,591
Total	\$ 3,844,567	\$ 9,566	\$ 3,356,985	\$ 370,265	\$ 7,581,383

Component Units

The state's Component Units typically have board approved investment policies designed to manage exposure to fair value losses that arise from interest rate risk. The policies of the various Component Units can differ significantly since each investment policy is designed to match the portfolio objectives for that Component Unit. A substantial portion of the Component Units' holdings in debt instruments is in money market mutual funds and bond mutual funds with demand maturities which are presented below as not having an applicable maturity. On June 30, 2017, the Component Units had the following interest rate risk exposure (expressed in thousands):

Interest Rate Risk - Component Units					
Weighted Average Years to Maturity	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Less than 1 year	\$ 358,207	\$ -	\$ 57,528	\$ -	\$ 415,735
1 - 5 years	203,690	-	24,852	-	228,542
6 - 10 years	65,493	-	3,431	-	68,924
10 or more years	28,624	-	37	-	28,661
No Maturity or Not Applicable	331,368	-	322,874	70,602	724,844
Total	\$ 987,382	\$ -	\$ 408,722	\$ 70,602	\$ 1,466,706

E. Foreign Currency Risk

Foreign Currency Risk is the risk that changes in currency exchange rates will adversely affect the fair value of a deposit or investment. The state, its Fiduciary Funds and Component Units typically make investments in foreign securities to achieve an additional level of diversification within the various portfolios under management. Foreign currencies held as cash and cash equivalents are usually held to limit losses in foreign investments due to fluctuations in currency values.

Primary Government

The General Government is not invested in securities that are exposed to foreign currency risk; however, the Permanent Funds have policies that will typically allow a portion of the total portfolio to be invested in international securities in an effort to improve diversification and total returns. The business-type activity's investing policies do not specifically address foreign investments, and they will typically not hold any international securities. At June 30, 2017, the Primary Government had the following foreign currency risk (expressed in thousands):

Foreign Currency Risk - Primary Government

Currency	Equities	Debt Instruments	Cash and Equivalents	Total
Australian dollar	\$ 3,040	\$ 341	\$ 101	\$ 3,482
Argentine peso	-	2,968	32	3,000
Armenian dram	-	220	-	220
Brazilian real	3,887	3,208	77	7,172
British pound sterling	26,106	5,436	147	31,689
Bermuda dollar	8,521	1,377	-	9,898
Canadian dollar	5,569	2,386	-	7,955
Cayman dollar	9,568	1,518	-	11,086
Columbian peso	-	1,358	1	1,359
Ecuador	-	432	-	432
Euro	48,949	16,106	503	65,558
Honduran lempira	-	470	-	470
Hong Kong dollar	5,592	-	34	5,626
Indian rupee	3,379	-	-	3,379
Indonesian rupiah	2,263	1,351	-	3,614
Japanese yen	32,611	-	-	32,611
Jersey pound	249	418	-	667
Kenyan shilling	-	215	-	215
Kuwaiti dinar	-	532	-	532
Mexican nuevo peso	1,502	2,482	51	4,035
Moroccan dirham	-	556	-	556
Multiple	-	1,296	-	1,296
New Israeli sheqel	3,969	-	-	3,969
New Taiwan dollar	4,555	-	-	4,555
Norwegian krone	5,011	-	-	5,011
Peruvian nuevo sol	-	301	-	301
Philippines peso	-	240	-	240
Russian ruble	-	947	55	1,002
Singapore dollar	-	4,244	-	4,244
South Korean won	-	2,667	-	2,667
Swedish krona	-	6,328	-	6,328
Swiss franc	-	12,083	-	12,083
Thai baht	-	1,832	-	1,832
Turkish lira	-	-	887	887
Virgin Islands	4	-	-	4
Totals	\$ 164,775	\$ 71,312	\$ 1,888	\$ 237,975

Fiduciary Funds and Similar Component Units

The Pension and Other Employee Benefit Trust Funds generally have investment policies regarding limits on the amount of foreign securities that can be held within their respective portfolios. The Trust Funds have a significantly longer time frame for achieving their investment goals, and investments in foreign securities offer an additional level of diversification, as well as provide the opportunity for increased returns. Typically, holdings in foreign currencies are used to limit losses on foreign securities due to currency fluctuations. The Trust Funds had the following foreign currency risk at June 30, 2017 (expressed in thousands):

Foreign Currency Risk - Pension Trust Funds

Currency	Equities	Debt Instruments	Cash and Equivalents	Total
Argentine Peso	\$ -	\$ 287	\$ -	\$ 287
Australian dollar	107,211	11,182	143	118,536
Bermudian dollar	2,919	-	-	2,919
Brazilian real	47,604	7,961	90	55,655
British pound sterling	607,265	9,733	503	617,501
Bulgarian lev	-	-	1	1
Canadian dollar	118,132	(245)	456	118,343
Chilean peso	208	-	-	208
Chinese yuan	23,742	-	-	23,742
Danish krone	61,013	-	-	61,013
Euro	889,246	10,113	205	899,564
Hong Kong dollar	201,086	623	258	201,967
Hungarian forint	4,341	-	-	4,341
Indian rupee	8,622	1,074	-	9,696
Indonesian rupiah	19,672	6,851	1	26,524
Israeli shekel	12,027	-	-	12,027
Japanese yen	645,637	(1,150)	2,016	646,503
Malaysian ringgit	18,778	8,109	1	26,888
Mexican peso	18,029	48,136	159	66,324
New Taiwan dollar	104,542	-	-	104,542
New Turkish lira	-	-	541	541
New Zealand dollar	2,022	-	-	2,022
Norwegian krone	38,420	2,284	-	40,704
Philippines peso	1,609	255	-	1,864
Polish zloty	3,775	9,081	-	12,856
Qatari rial	2,467	-	-	2,467
Russian ruble	2,802	-	-	2,802
Singapore dollar	48,855	-	49	48,904
South African rand	37,227	7,194	136	44,557
South Korean won	124,513	2,268	104	126,885
Swedish krona	77,552	-	-	77,552
Swiss franc	247,698	-	144	247,842
Thai baht	18,367	-	-	18,367
Turkish lira	15,914	3,388	60	19,362
UAE dirham	2,815	-	-	2,815
Venezuelan bolivar	-	2,929	-	2,929
Totals	\$ 3,514,110	\$ 130,073	\$ 4,867	\$ 3,649,050

Securities Lending Definition

In a securities lending transaction, securities are loaned to approved brokers through a securities lending agreement with a simultaneous agreement to return collateral for the same security in the future.

Securities Lending Activity - Primary Government

State Statute Title 62, Section 90 authorizes the Office of the State Treasurer to participate in securities lending transactions. All securities held by J.P. Morgan, as trustee or custodian, may be lent in the securities lending program unless specifically excluded by the Office of the State Treasurer.

During the fiscal year ended June 30, 2017, securities lending agents lent primarily U.S. Government securities. Cash and U.S. Government securities were provided as collateral for the securities lent. Generally, collateral must equal at least 100% of the fair value of the securities loaned. At June 30, 2017, there were no securities on loan. The collateral balance of \$82,885,000 represents cash collateral that is invested in U.S. Government securities and is included as an asset on the balance sheet with an offsetting liability for the return of collateral.

At June 30, 2017, there was no credit risk exposure to borrowers because the amounts the Primary Government owes the borrowers exceed the amounts the borrowers owe the Primary Government. Contracts with securities lending agents require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions, or recoveries from prior period losses, that resulted from the default of a borrower or the lending agent. Because these transactions are terminable at will, their duration generally did not match the duration of the investments made with cash collateral.

The Tobacco Trust Fund, a Permanent Fund of the state, participates in securities lending as defined by its investment policy. During the year, the Tobacco Trust lent U.S. Government securities, corporate debt, and domestic and foreign equities. Collateral was provided as cash for securities lent. Collateral must equal at least 102% of the market value of securities lent unless the principal market for the collateral is outside the United States, in which case a margin of 105% must be maintained. At June 30, 2017, the fair value of securities on loan was \$135,967,000. The collateral for securities lent had a market value of \$139,788,000. The investment made with cash collateral had an average maturity of one day and did not match the duration of the security on loan since the loans are terminable at will. There was no credit risk to borrowers.

Securities Lending Activity - Fiduciary Funds and Similar Component Units

The six Public Employees Retirement Systems (PERS) participate in securities lending transactions as provided by their respective investment policies. During the fiscal year ended June 30, 2017, securities lending agents lent primarily U.S. Government securities, equity securities, and debt securities. Cash, U.S. Government securities, and letters of credit were provided as collateral for the securities lent. Generally, collateral must be provided in the amount of 102% of the fair value of the securities loaned. In certain instances collateral must be provided in the amount of 105% when the principal trading market for the loaned securities is outside the United States. At June 30, 2017, the carrying amount and fair value of securities on loan was approximately \$2,450,255,000. The underlying collateral for these securities had a fair value of approximately \$2,630,210,000. Collateral of securities and letters of credit represented approximately \$122,105,000 of total collateral. These securities and letters of credit cannot be sold or pledged unless the borrower defaults, therefore the collateral and related liability is not presented on the balance sheet. The remaining collateral represents cash collateral that is invested in short-term investment pools and is included as an asset on the balance sheet with an offsetting liability for the return of the collateral.

At June 30, 2017, there was no credit risk exposure to borrowers because the amounts the Fiduciary Funds owe the borrowers exceed the amounts the borrowers owe the Fiduciary Funds. Contracts with securities lending agents require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions, or recoveries from prior period losses, resulting from the default of a borrower or the lending agent. Investment policies do not require the maturities of investments made with cash collateral to match the maturities of securities lent; however, investment policies may establish minimum levels of liquidity to minimize the interest rate risk associated with not matching the maturity of the investments with the loans. Generally, their duration did not match the duration of the investments made with cash collateral.

Derivative Investments Definition

Derivatives are often complex financial arrangements used to manage specific risks or to act as investments. Derivatives can act as hedges to more effectively manage cash flow or act as investments thereby increasing or decreasing exposure to certain types of investments.

Derivative Investments - Primary Government

Certain state agencies utilize derivative investments as tools to efficiently and effectively manage domestic, international and fixed income investments within their respective portfolios. Investments for the Tobacco Settlement Trust Fund are reported at fair value based on the cash flows from interest and principal payments. The notional amount, financial statement classification and fair value balance of derivatives outstanding at June 30, 2017, and the change in fair value of such derivatives for the year then ended are as follows (expressed in thousands):

Permanent Fund	Derivative Instrument	Notional Amount	Fair Value		Change in Fair Value	
			Classification	Amount	Classification	Amount
Tobacco Settlement Trust	Foreign Currency Forward Contracts	\$ (7,884)	Net Receivable	\$ (31)	Investment Income	\$ 114

Derivative Investments - Fiduciary Funds and Similar Component Units

Several of the state's Public Employees Retirement Systems (PERS) utilize derivative investments as tools to efficiently and effectively manage domestic, international and fixed income investments within their respective portfolios. The notional amount, financial statement classification and fair value balance of derivatives outstanding at June 30, 2017, and the change in fair value of such derivatives for the year then ended are as follows (expressed in thousands):

Pension System	Derivative Instrument	Notional Amount	Fair Value		Change in Fair Value	
			Classification	Amount	Classification	Amount
Firefighters Pension and Retirement System (OFPRS)	Foreign Currency Forward Contracts	\$ 80,460	Net Payable	\$ 774	Investment Income	\$ 1,041
Teachers' Retirement System (TRS)	Foreign Currency Forward Contracts	41,752	Investment	41,892	Investment Income	141

The OFPRS system uses foreign currency forward contracts primarily to hedge foreign currency exposure. The fair values of all OFPRS derivative instruments are determined from market quotes of the instruments or similar instruments. The receivable is net of gross receivables of \$1,183,000 and liabilities of \$409,000. The gross receivables are supported by collateral in investments valued at \$1,183,000 with a credit risk ratings of A by S&P and A2 by Moody's. The foreign currency forward contracts for the TRS subject the System to foreign currency risk because the investments are denominated in foreign currencies. The fair values of foreign currency forward contracts for TRS are estimated based on the present value of their estimated cash flows.

Derivative Investments - Component Units

The Component Units of the state have varied investment goals based on the demands of their specific operations and commonly have investment policies allowing for greater investment diversity and risk. Certain component units and foundations with the Higher Education Component Unit will utilize derivative investments on occasion to secure specific returns matched to maturing liabilities to mitigate overall portfolio risk.

Note 3. Accounts Receivable

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables with allowances for uncollectible accounts as of June 30, 2017, including the applicable allowances for uncollectible accounts, are presented below (expressed in thousands):

	General Fund	Proprietary Fund	Component Units	
	Accounts Receivable	Taxes Receivable	Accounts Receivable	Notes Receivable
Gross Receivables	\$ 123,240	\$ 144,659	\$ 911,568	\$ 64,546
Less: Allowance for Uncollectibles	(71,445)	(66,604)	(265,247)	(3,804)
Net Receivables	<u>\$ 51,795</u>	<u>\$ 78,055</u>	<u>\$ 646,321</u>	<u>\$ 60,742</u>

Note 4. Interfund Accounts and Transfers

A. Due from Other Funds/Due to Other Funds

A summary of interfund obligations at June 30, 2017, is shown below (expressed in thousands):

	Due From Other Funds			Due From	Due From	Due to Other Funds			Due To	Due To
	General Fund	Permanent Funds	Enterprise Funds	Fiduciary Funds	Other Component Units	General Fund	Wildlife Permanent Funds	Enterprise Funds	Fiduciary Funds	Component Units
Governmental Funds										
General Fund	\$ -	\$ 146	\$ 4	\$ 43	\$ 55,486	\$ -	\$ 85	\$ 42	\$ 71,199	\$ 45,348
Wildlife Permanent Fund	85	-	-	-	-	-	-	-	-	-
Tobacco Permanent Fund	-	-	-	-	-	146	-	-	-	1,906
Total Governmental Funds	<u>\$ 85</u>	<u>\$ 146</u>	<u>\$ 4</u>	<u>\$ 43</u>	<u>\$ 55,486</u>	<u>\$ 146</u>	<u>\$ 85</u>	<u>\$ 42</u>	<u>\$ 71,199</u>	<u>\$ 47,254</u>
Enterprise Funds										
Office of Management and Enterprise Services	\$ 132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3
Oklahoma Lottery Commission	-	-	-	-	-	4	-	-	1,218	-
Total Enterprise Funds	<u>\$ 132</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,218</u>	<u>\$ 3</u>
Fiduciary Funds										
Pension Trust Funds:										
Firefighters Pension and Retirement System	\$ 19,331	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ -	\$ -
Oklahoma Law Enforcement Retirement System	4,438	-	-	-	-	-	-	-	-	-
Oklahoma Public Employees Retirement System	8,954	-	-	-	850	26	-	-	-	-
Judges and Justices Retirement System	627	-	-	-	-	-	-	-	-	-
Oklahoma Police Pension and Retirement System	7,518	-	-	-	-	-	-	-	-	-
Teachers' Retirement System of Oklahoma	30,331	-	1,218	-	-	15	-	-	-	-
Total Fiduciary Funds	<u>\$ 71,199</u>	<u>\$ -</u>	<u>\$ 1,218</u>	<u>\$ -</u>	<u>\$ 850</u>	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	Due From Primary Government				Due From	Due To Primary Government			Due To	Due To
	General Fund	Permanent Funds	Enterprise Funds	Fiduciary Funds	Other Component Units	General Fund	Permanent Funds	Enterprise Funds	Fiduciary Funds	Component Units
Major Component Units:										
Oklahoma Housing Finance Agency	-	-	-	-	-	-	-	-	95	-
Oklahoma Turnpike Authority	10,209	-	-	-	-	54,869	-	-	-	-
Grand River Dam Authority	-	-	-	-	1,108	155	-	-	644	-
Oklahoma Municipal Power Authority	-	-	-	-	-	-	-	-	89	1,364
Higher Education	10,238	1,906	3	-	21,310	460	-	-	1	21,862
Nonmajor Component Units:										
Multiple Injury Trust Fund	11,148	-	-	-	-	2	-	-	-	-
Oklahoma State Univ Medical Authority	-	-	-	-	261	-	-	-	-	-
University Hospitals Authority	17,815	-	-	-	-	-	-	-	21	-
Oklahoma Development Finance Authority	31	-	-	-	285	-	-	-	-	-
Total Component Units	<u>\$ 49,441</u>	<u>\$ 1,906</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 22,964</u>	<u>\$ 55,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 850</u>	<u>\$ 23,226</u>

Timing differences occur between agencies with a June 30 year end and the component units with September 30 or December 31 year ends. A reconciliation of interfund receivables and interfund payables at June 30, 2017 follows:

Total Due From Other Funds:		Total Due To Other Funds:	
Wildlife Lifetime Licenses	\$ 85	Tobacco Settlement Endowment	\$ 146
Enterprise Funds	132	Enterprise Funds	4
Fiduciary Funds	71,199	Fiduciary Funds	43
Component Unit Funds	49,441	Component Unit Funds	55,486
General Fund Due From Permanent Funds	146	General Fund Due To Permanent Funds	85
Component Units Due From Permanent Funds	1,906	Due To Enterprise Funds	
		General Fund	42
Due From Enterprise Funds		Due To Fiduciary Funds	
General Fund	4	General Fund	71,199
Fiduciary	1,218	Proprietary Funds	1,218
Component Unit Funds	3	Component Unit Funds	850
		Due To Component Units	
Due From Fiduciary Funds		General Fund	45,348
General Fund	43	Permanent Funds	1,906
		Proprietary Funds	3
Due From Component Units		Component Unit Funds	23,226
General Fund	55,486	Total Interfund Payables per Financial Statements	199,556
Fiduciary Funds	850	Timing Differences, Fiscal Year Ending	
Other Component Unit Funds	22,964	December 31, 2016: Component Units	3,921
Total Interfund Receivables per Financial Statements	\$ 203,477	Total Interfund Payables	\$ 203,477

The General Fund Due From Other Funds includes \$53,476,000 from Oklahoma Turnpike Authority (OTA) (\$53,263,000 at December 31, 2016) for a portion of motor fuel excise taxes collected on fuels consumed on turnpikes. The balance accumulates and is payable when certain OTA revenue bonds payable have been paid in full. The Wildlife Lifetime Licenses Permanent Fund is due \$85,000 from the General Fund for legislative mandated transfer of earnings on certain funds.

Remaining interfund balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded, and payment between funds are made.

B. Notes Payable and Capital Leases

The Higher Education (HE) component unit has entered into capital lease agreements with the General Fund's Oklahoma Capital Improvement Authority (OCIA) to lease various facilities, equipment and improvements. The capital lease outstanding balances are \$384,424,000.

C. Interfund Transfers

A summary of interfund transfers for the fiscal year ended June 30, 2017, follows (expressed in thousands):

Transfers From (Out)	Transfers To (In)	For (Purpose)	Amount
Governmental Funds:			
General Fund	Oklahoma Water Resources Board	Payment for administrative costs	5,086
		Total transfers out of the General Fund	5,086
Proprietary Funds:			
Oklahoma Employment Security Comm	General Fund	Payment for Administrative Costs	12,115
Oklahoma Water Resources Board	General Fund	Restricted investment revenue	5,363
Oklahoma Lottery Commission	General Fund	Transfer for expendible earnings	53,064
		Total Transfers in to the General Fund	70,542
		Net Transfers In/Out - General Fund \$	65,456

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows (expressed in thousands):

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,774,207	\$ 38,208	\$ (12,423)	\$ 1,799,992
Construction in progress	191,952	48,743	(30,048)	210,647
Total capital assets, not being depreciated	1,966,159	86,951	(42,471)	2,010,639
Capital assets, being depreciated:				
Buildings and improvements	1,593,342	26,401	(10,799)	1,608,944
Equipment	569,326	17,670	(18,244)	568,752
Infrastructure	18,477,965	808,268	(5,924)	19,280,309
Total capital assets, being depreciated	20,640,633	852,339	(34,967)	21,458,005
Less accumulated depreciation for:				
Buildings and improvements	(723,869)	(31,742)	8,897	(746,714)
Equipment	(378,959)	(41,602)	16,679	(403,882)
Infrastructure	(9,902,514)	(485,013)	3,357	(10,384,170)
Total accumulated depreciation	(11,005,342)	(558,357)	28,933	(11,534,766)
Total capital assets, being depreciated, net	9,635,291	293,982	(6,034)	9,923,239
Governmental activities capital assets, net	\$ 11,601,450	\$ 380,933	\$ (48,505)	\$ 11,933,878
Business-type activities:				
Capital assets, being depreciated:				
Equipment	6,424	336	(307)	6,453
Total capital assets, being depreciated	6,424	336	(307)	6,453
Less accumulated depreciation for:				
Equipment	(3,568)	(715)	307	(3,976)
Total accumulated depreciation	(3,568)	(715)	307	(3,976)
Business-type activities capital assets, net	2,856	(379)	-	2,477

Current period depreciation expense was charged to functions of the Primary Government as follows (expressed in thousands):

Government Activities:	
Education	\$ 1,636
General government	15,733
Health services	6,860
Legal and judiciary	385
Museums	140
Natural resources	12,772
Public safety and defense	19,006
Regulatory services	344
Social services	4,111
Transportation	497,370
Total depreciation expense - Governmental Activities	\$ 558,357
Business-type Activities:	
Natural resources	715
Total depreciation expense - Business-type Activities	\$ 715

Component Units

Capital asset activity for the year ended June 30, 2017, (December 31, 2016, or September 30, 2016, for those entities identified in Item D of Note 1) was as follows (expressed in thousands):

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 412,836	\$ 32,299	\$ (4,554)	\$ 440,581
Construction in progress	965,700	779,169	(619,132)	1,125,737
Total capital assets, not being depreciated	1,378,536	811,468	(623,686)	1,566,318
Capital assets, being depreciated:				
Buildings and improvements	9,067,668	842,830	(70,682)	9,839,816
Equipment	1,967,655	155,377	(50,291)	2,072,741
Infrastructure	2,692,212	47,545	(7,143)	2,732,614
Total capital assets, being depreciated	13,727,535	1,045,752	(128,116)	14,645,171
Less accumulated depreciation for:				
Buildings and improvements	(3,521,599)	(420,269)	38,545	(3,903,324)
Equipment	(1,438,612)	(116,867)	33,135	(1,522,344)
Infrastructure	(1,625,014)	(91,737)	2,095	(1,714,656)
Total accumulated depreciation	(6,585,226)	(628,873)	73,775	(7,140,324)
Total capital assets, being depreciated, net	7,142,309	416,879	(54,341)	7,504,847
Capital assets, net	\$ 8,520,845	\$ 1,228,347	\$ (678,027)	\$ 9,071,165

Note 6. Risk Management and Insurance

It is the policy of the state to cover the risk of losses to which it may be exposed through risk management activities. In general, the state is self-insured for health care claims (except for employee participation in certain health maintenance organizations), workers' compensation, and second injury workers' compensation. The state is also self-insured against tort and auto liability and property losses, with commercial insurance policies for losses that fall outside of coverage limits or are in excess of the self-insured retention.

Coverage for health care claims and workers' compensation is provided by two entities of the state. The Employees Group Insurance Department (EGID), a department of the Office of Management and Enterprise Services (OMES), manages a legal trust which provides group health, life, dental, and disability benefits to the state's employees and certain other eligible participants. Effective January 1, 2015, the Risk Management Department (RMD), part of Capital Assets Management, a division of OMES, was authorized to handle Workers' Compensation for all state agencies when House Bill 2009 was signed into law during 2014. The Risk Management Department Consolidated Workers' Compensation Program began operating on July 1, 2015.

Coverage for second injury workers' compensation is provided by a discretely presented component unit. The Multiple Injury Trust Fund (MITF) was created to encourage the hiring of individuals with a pre-existing disability and to protect those employers from liability for the pre-existing disability. MITF records a liability for outstanding court awards only as those amounts are awarded by the Workers' Compensation Court for permanent total disability awards. There is no provision for incurred but not reported claims or claims pending Court determination. Claims and Judgments which were due and owing at December 31, 2016, have been charged to operations for the year ended December 31, 2016. At year end, the MITF loss liability exceeded net position. MITF was indebted to claimants for court awarded judgments. Only those judgments currently payable in arrears bear interest. The rate, set by statute, is the Treasury bill rate plus 4% to be updated annually.

Coverage for liability and property losses is provided by the RMD of OMES. The RMD administers a self-insurance program to protect the state, its agencies, colleges, and universities against tort and auto liability claims. Coverage and limits under this program correspond directly with the Oklahoma Governmental Tort Claims Act (GTCA). The RMD

purchases commercial liability insurance for losses that fall outside of the GTCA. The RMD also provides a Property Insurance program for all agencies, colleges, and universities through a combination of a high self-insured retention and commercial insurance policies in excess of the self-insured retention. Coverage limits are \$1 billion for each occurrence subject to coverage terms and conditions. Commercial insurance is purchased to protect the state's fine arts and physical damage to its automobiles. Additionally, the RMD purchases a Government Crime Policy, i.e., Employee Dishonesty policy.

Except for MITF, estimates relating to incurred but not reported claims, as well as other probable and estimable losses have been included in accrued liabilities for each fund. None of the funds have included non-incremental claims adjustment expense as part of accrued liabilities. Because actual claims liabilities are impacted by complex factors including inflation, changes in legal doctrines, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, and other economic and social factors.

The General Fund self-insurance loss liability for the RMD of OMES represents an estimate of amounts to be paid from economic financial resources.

The following table presents the changes in claims liability balances (both current and noncurrent) during the current fiscal year ended June 30, 2017, (December 31, 2016, for EGID and MITF) and the prior fiscal year, (expressed in thousands):

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
Current Fiscal Year						
General Fund -						
Office of Management and Enterprise Services	\$ 46,698	\$ 41,826	\$ (21,741)	\$ 66,783	\$ 45,042	\$ 21,741
Proprietary Fund -						
Office of Management and Enterprise Services	\$ 130,130	\$ 1,022,183	\$ (1,017,097)	\$ 135,216	\$ 9,395	\$ 125,821
Component Unit - *						
Multiple Injury Trust Fund	\$ 406,476	\$ 69,558	\$ (51,903)	\$ 424,131	\$ 386,296	\$ 37,835

* The Higher Education Component Unit's claims and judgments (\$3,629 – noncurrent) are for accrued liabilities not related to risk management.

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
Prior Fiscal Year						
General Fund -						
Office of Management and Enterprise Services	\$ 25,072	\$ 29,277	\$ (7,651)	\$ 46,698	\$ 39,047	\$ 7,651
Proprietary Fund -						
Office of Management and Enterprise Services	\$ 127,793	\$ 1,015,375	\$ (1,013,038)	\$ 130,130	\$ 9,125	\$ 121,005
Component Unit -						
Multiple Injury Trust Fund	\$ 386,291	\$ 74,460	\$ (54,275)	\$ 406,476	\$ 405,622	\$ 854

Public Entity Risk Pool – Employees Group Insurance Division

The state operates the Employees Group Insurance Division of the Office of Management and Enterprise Services (Plan), a Public Entity Risk Pool.

A. Description of Plan

The Plan provides group health, dental, life, and disability benefits to active state employees and local government employees, as well as varying coverages for active education employees and certain participants of the state's retirement systems, survivors, and persons covered by COBRA. Disability coverage is available only to active state employees and local government employees. The Plan is self-insured and provides participants with the option of electing coverage from certain HMOs. Premium rates for the various groups are separately established.

The coverages are funded by monthly premiums paid by individuals, the state, local governments, educational employers, and retirement systems. A participant may extend coverage to dependents for an additional monthly premium based on the coverage requested. Of the 226,000 primary participants and dependents, approximately 24,000 primary participants and 16,000 dependents were covered by HMOs. These counts relate to health coverage only.

All state agencies are required to participate in the Plan. Eligible local governments may elect to participate in the Plan (311 local governments actually participate). Any education entity or local government which elects to withdraw from the Plan may do so with 30 days written notice, and must withdraw both its active and inactive participants.

A summary of available coverages and eligible groups, along with the number of health care participants follows:

	State Employee	Local Government Employee	Education Employee	Teachers' Retirement System	OPERS	COBRA
Health	X	X	X	X	X	X
Dental	X	X	X	X	X	X
Life	X	X	X	X	X	
Disability	X	X				
Medicare Supplement				X	X	X
Health Care Participants :						
Primary	24,000	9,000	54,000	-----	39,000	-----
Dependents	-----	-----	60,000	-----	-----	-----

B. Unpaid Claims Liabilities

The Plan establishes policy and contract claim reserves based on the estimated ultimate cost of settling claims that have been reported but not settled, and of claims that have been incurred but not yet reported. Disability reserves are also established based on the estimated ultimate cost of settling claims of participants currently receiving benefits and for disability claims incurred but not yet reported to the Plan.

The reserves are determined using the Plan's historical benefit payment experience. The length of time for which costs must be estimated depends on the coverages involved. Although such estimates are the Plan's best estimates of the incurred claims to be paid, due to the complex nature of the factors involved in the calculation, the actual results may be more or less than the estimate. The claim liabilities are recomputed on a periodic basis using actuarial and statistical techniques which consider the effects of general economic conditions, such as inflation, and other factors of past experience, such as changes in participant counts. Adjustments to claim liabilities are recorded in the periods in which they are made. Premium deficiency reserves are required to be recorded when the anticipated costs of settling claims for the following fiscal year are in excess of the anticipated premium receipts for the following year. Anticipated investment income is considered in determining whether a premium deficiency exists.

C. Reconciliation of Claims Liabilities

The schedule below presents the changes in policy and contract claim reserves and disability reserves for the three types of coverages: health and dental, life, and disability (expressed in thousands):

	Health and Dental	Life	Disability	Total
	Fiscal Year 12/31/2016	Fiscal Year 12/31/2016	Fiscal Year 12/31/2016	Fiscal Year 12/31/2016
Reserves at beginning of period	\$ 112,486	\$ 5,515	\$ 12,129	\$ 130,130
Incurring claims:				
Provision for insured events of current period	988,065	25,271	4,092	1,017,428
Changes in provisions for insured events of prior periods	4,813	542	(600)	4,755
	992,878	25,813	3,492	1,022,183
Payments:				
Claims attributable to insured events of current period	876,222	21,651	530	898,403
Claims attributable to insured events of prior periods	111,954	3,876	2,864	118,694
	988,176	25,527	3,394	1,017,097
Reserves at end of period	\$ 117,188	\$ 5,801	\$ 12,227	\$ 135,216

D. Revenue and Claims Development Information

The separately issued audited financial statements for the Plan include Required Supplementary Information regarding revenue and claims development.

Note 7. Operating Lease Commitments

The state has commitments with non-state entities to lease certain buildings and equipment. Future minimum rental commitments for equipment operating leases as of June 30, 2017, are as follows (expressed in thousands):

	General Fund	Fiduciary Funds	Component Units
2018	\$ 2,053	\$ 141	\$ 2,899
2019	1,418	4	2,351
2020	1,297	-	2,292
2021	193	-	1,788
2022	48	-	-
2023-2027	271	-	4,460
2028-2032	305	-	3,379
2033-2037	343	-	3,379
2038-2042	386	-	3,379
2043-2047	-	-	3,379
2048-2052	-	-	2,445
Total Future Minimum Lease Payments	\$ 6,314	\$ 145	\$ 29,751
Operating lease commitments for building rental for year ended June 30, 2018	\$ 24,238	\$ 448	\$ 1,352
Rent expenditures/expenses for operating leases for year ended June 30, 2017	\$ 24,672	\$ 639	\$ 15,932

Operating leases with an agreement of less than one year or a value less than \$10,000 are not included in the general fund total due to state-wide accounting policy.

Note 8. Lessor Agreements

Primary Government

Direct Financing Leases

The Department of Transportation maintains leases classified as direct financing leases. The state leases heavy equipment and machinery to counties within the state. The lease terms are determined by the depreciation schedules published by the American Association of State Highway Transportation Officials. All new county equipment leases were charged an interest amount equivalent to 3% of the equipment cost. Title to this equipment passes to the counties at the end of the lease term. The Department of Transportation also leases railroad lines within the state to various railroad companies with the longest lease term ending in 2025. No interest or executory costs are charged, and the leases include bargain purchase options. The unguaranteed residual values of the machinery, equipment, and railroad lines are not estimated by the state. Contingent rentals are not a part of any lease and uncollectible amounts are not expected. The total minimum lease payments to be received by the Department of Transportation in future years is approximately \$19,849,000 which is also the net investment in direct financing leases at June 30, 2017. The following schedule represents minimum lease payments receivable for direct financing leases for each of the five succeeding fiscal years (expressed in thousands):

	2018	2019	2020	2021	2022	Thereafter	Total
Department of Transportation	\$ 4,856	\$ 4,160	\$ 3,656	\$ 2,684	\$ 1,990	\$ 2,492	\$ 19,838
Oklahoma Capital Improvement Authority	43,642	12,272	9,925	10,405	26,275	281,905	384,424
Total	\$ 48,498	\$ 16,432	\$ 13,581	\$ 13,089	\$ 28,265	\$ 284,397	\$ 404,262

The Oklahoma Capital Improvement Authority (OCIA) has capital lease agreements with the higher education component unit for the lease of various facilities, equipment and improvements. At June 30, 2017, the total minimum lease payments to be received by OCIA from the higher education component unit are \$384,424,000. These lease agreements end in fiscal year 2035.

Operating Leases

The state has operating leases maintained by various state agencies consisting primarily of state land leased to non-state entities, as well as a small amount of state owned buildings which are also leased to non-state entities. Due to the passage of time, the state's historical cost of the leased land is not reasonably determinable. The leased buildings consist of sub-leased office space under an operating lease. Since the state does not have a cost basis in the building, no depreciation expense is recognized. The Primary Government's total operating leases receivable recognized in the current fiscal year is approximately \$21,000. Minimum future rentals receivable from these operating leases is presented in the following schedule (expressed in thousands):

2018	2019	2020	2021	2022	Total
\$ 406	\$ 223	\$ 172	\$ 159	\$ 109	\$ 1,069

In addition, the leasing operations of the Commissioners of the Land Office consist of leasing approximately 740,000 acres of land principally for agricultural purposes. The lease terms are generally for five-year periods with one-fifth of the leases expiring each year. The lease year is on a calendar year basis with rents prepaid one year in advance. The rental amount is determined based on the maximum amount bid by the lessee. The following schedule presents minimum future rentals receivable from the noncancelable leasing of these lands (expressed in thousands):

2018	2019	2020	2021	2022	Total
\$ 12,312	\$ 9,240	\$ 6,384	\$ 3,021	\$ 399	\$ 31,356

The Oklahoma Department of Tourism and Recreation (ODTR) has various contracts with concessionaires to provide patron services within state parks. Contract expiration terms vary, as well as renewal options. ODTR receives concession revenue that is generally based on sales volume. The following schedule presents estimated minimum future concession revenue from these contracts (expressed in thousands):

2018	2019	2020	2021	2022	Thereafter	Total
\$ 1,080	\$ 1,080	\$ 1,080	\$ 1,080	\$ 1,080	\$ 2,160	\$ 7,560

Component Units

The Oklahoma Municipal Power Authority (Authority) executed a Power Purchase Agreement with FPL Energy Oklahoma Wind, LLC (FPLE Oklahoma), for the development of a wind generation facility in northwestern Oklahoma. Under the agreement, FPLE Oklahoma was responsible for acquiring, constructing and installing the wind project. The Authority issued taxable limited obligation notes which were payable solely from lease payments made by FPLE Oklahoma. The Authority used the proceeds of the notes to finance the Authority's acquisition of the wind project and has leased the wind project to FPLE Oklahoma under a long-term capital lease agreement for an amount sufficient to pay the debt service, principal and interest, on the notes. The Power Purchase Agreement has a term of approximately 25 years and power is sold on a take and pay basis. FPLE Oklahoma retains the operational risk related to the wind project. The following schedule lists the components of the lease agreement as of December 31, 2016 (expressed in thousands):

Total minimum lease payments to be received	\$ 54,201
Less: Amounts representing interest included in total minimum lease payments	(16,333)
Net investment in direct financing leases	<u>\$ 37,868</u>

Operating Leases

The Oklahoma Turnpike Authority has various noncancelable contracts with concessionaires to provide patron services on the state's turnpike system. The contracts are generally for five year terms, with two five-year renewal options. The Authority receives concession revenue that includes minimum rentals plus contingent rentals based on sales volume. The Authority also leases antenna space under noncancelable contracts with a 20 year term. The University Hospital Authority has leased substantially all capital assets, except construction-in-progress, to the joint operations of OU Medical Center and OU Health Sciences Center. The University Hospital Authority carries receipts through 2050. The following schedule presents minimum future rentals receivable from these contracts (expressed in thousands):

	2018	2019	2020	2021	2022	Thereafter	Total
University Hospitals Authority	\$ 1,503	\$ 1,295	\$ 1,250	\$ 746	\$ 676	\$ 18,665	\$ 24,135
Oklahoma Turnpike Authority	1,090	1,087	1,019	1,023	1,049	13,156	\$ 18,424
Total	<u>\$ 2,593</u>	<u>\$ 2,382</u>	<u>\$ 2,269</u>	<u>\$ 1,769</u>	<u>\$ 1,725</u>	<u>\$ 31,821</u>	<u>\$ 42,559</u>

The cost, carrying amount and accumulated depreciation of the Oklahoma Turnpike Authority leased property for the year ended December 31, 2016, is \$39,783,000, \$29,191,000 and \$10,592,000, respectively. The cost and carrying amount of the University Hospitals Authority leased property for the year ended June 30, 2017 (expressed in thousands):

Land	\$ 4,009
Buildings	401,133
Equipment	158,814
Infrastructure	<u>7,701</u>
Cost	571,657
Less Accumulated Depreciation	<u>(292,502)</u>
Net Leased Property	<u>\$ 279,155</u>

Note 9. Long-Term Obligations As Related to Governmental Activities

Long-term obligations at June 30, 2017, and changes for the fiscal year then ended (expressed in thousands):

	Issue Date	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds Payable from Tax Revenue:								
Oklahoma Bldg 2010A, Refunding	2011	2.00%-5.00%	2019	\$ 74,180	\$ -	\$ 26,225	\$ 47,955	\$ 26,495
Oklahoma Bldg 2013, Refunding	2013	2.00%-5.00%	2019	7,920	-	-	7,920	850
Total				<u>82,100</u>	<u>-</u>	<u>26,225</u>	<u>55,875</u>	<u>27,345</u>
Revenue Bonds Payable from Lease Rentals:								
OCIA Series 2006A	2006	3.55%-4.38%	2017	1,160	-	1,160	-	-
OCIA Series 2006B	2006	3.50%-4.25%	2017	900	-	900	-	-
OCIA Series 2006C	2006	4.00%-4.50%	2017	1,045	-	1,045	-	-
OCIA Series 2006E	2006	4.00%-4.50%	2017	305	-	305	-	-
OCIA Series 2008A	2009	2.90%-5.30%	2017	17,795	-	17,795	-	-
OCIA Series 2008B	2009	2.70%-5.48%	2017	9,110	-	9,110	-	-
OCIA Series 2009A	2009	1.00%-4.20%	2025	16,545	-	1,580	14,965	1,645
OCIA Series 2009AA	2010	2.00%-4.00%	2025	29,390	-	9,440	19,950	9,790
OCIA Series 2009B	2010	5.04%-5.34%	2025	68,830	-	-	68,830	-
OCIA Series 2010, Refunding/Revenue	2011	1.77%-5.61%	2031	116,460	-	5,495	110,965	5,700
OCIA Series 2010A, Refunding	2011	2.00%-5.00%	2019	81,910	-	18,320	63,590	31,450
OCIA Series 2010A DOT	2011	2.00%-5.00%	2021	65,890	-	12,150	53,740	12,650
OCIA Series 2010B DOT	2011	4.24%-4.79%	2026	92,075	-	-	92,075	-
OCIA Series 2012 DOT	2012	2.00%-2.54%	2026	46,515	-	3,810	42,705	3,970
OCIA Series 2013A	2013	2.00%-4.00%	2025	17,925	-	2,135	15,790	2,185
OCIA Series 2014A	2014	2.00%-5.00%	2031	220,550	-	15,140	205,410	3,320
OCIA Series 2014B	2015	2.00%-5.00%	2025	45,505	-	14,845	30,660	10,423
OCIA Series 2014C	2015	2.00%-5.00%	2035	81,900	-	2,565	79,335	2,615
OCIA Series 2015A	2015	2.00%-5.00%	2025	38,450	-	10,415	28,035	3,065
OCIA Series 2015B	2016	3.00%-5.00%	2027	39,535	-	-	39,535	3,315
OCIA Series 2016 DOT	2017	2.00%-5.00%	2035	-	170,000	-	170,000	-
OCIA Series 2017A, Refunding/Revenue	2017	2.00%-4.00%	2030	-	23,055	-	23,055	745
OCIA Series 2017B	2017	2.00%-5.00%	2026	-	70,000	-	70,000	3,880
Corrections 2006, Central OK (ODFA)	2006	3.75%-4.50%	2017	2,630	-	2,630	-	-
Corrections 2013, Central OK (ODFA)	2013	1.40%-5.00%	2023	15,118	-	2,025	13,093	2,070
Corrections 2016A, Central OK (ODFA)	2017	2.00-3.00%	2027	-	2,610	235	2,375	240
DHS-2008 (ODFA)	2008	3.25%-4.15%	2023	12,190	-	1,555	10,635	1,610
DHS-2012 (ODFA)	2012	4.00%-5.00%	2022	8,990	-	1,415	7,575	1,455
DHS-2014 (ODFA)	2014	2.00%	2019	2,700	-	885	1,815	900
Law Enforcement Education/Train (ODFA)	2013	2.50%-5.00%	2022	13,320	-	1,022	12,298	1,053
OMES 2009 (ODFA)	2009	2.50%-5.00%	2035	36,320	-	1,335	34,985	1,365
Total				<u>1,083,063</u>	<u>265,665</u>	<u>137,312</u>	<u>1,211,416</u>	<u>103,446</u>
Notes Payable from Tax Revenue (Tourism) and Grant Revenue (ODOT):								
ODOT 2007A, Grant Anticipation	2007	3.25%-5.00%	2017	6,225	-	6,225	-	-
ODOT 2008A, Grant Anticipation	2009	3.00%-5.00%	2019	24,295	-	7,720	16,575	8,085
Total				<u>30,520</u>	<u>-</u>	<u>13,945</u>	<u>16,575</u>	<u>8,085</u>
Capital Leases				4,202	440	1,902	2,740	1,103
Compensated Absences				159,921	93,407	95,066	158,262	95,066
Net Pension Liability				452,660	589,888	-	1,042,548	-
Bond Issue Premiums				74,241	39,828	13,635	100,434	12,243
Claims and Judgments Payable				46,698	41,826	21,741	66,783	21,741
Other Postemployment Benefits				774	372	225	921	-
Total Long-Term Obligations				<u>\$ 1,934,179</u>	<u>\$ 1,031,426</u>	<u>\$ 310,051</u>	<u>\$ 2,655,554</u>	<u>\$ 269,029</u>

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2017, which have scheduled debt service amounts (expressed in thousands):

	2018	2019	2020	2021	2022	2023-2027	2028-2032	2033-2037	2038-2042	2043-2047	Total
General Obligation bonds:											
Oklahoma Bldg 2010A, Refunding	\$ 28,031	\$ 21,940	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,971
Oklahoma Bldg 2013, Refunding	1,212	7,241	-	-	-	-	-	-	-	-	8,453
Less: Interest	1,898	651	-	-	-	-	-	-	-	-	2,549
Total Principal	27,345	28,530	-	-	-	-	-	-	-	-	55,875
Revenue Bonds:											
OCIA 2009A Revenue	2,189	2,180	2,181	2,178	2,176	6,521	-	-	-	-	17,425
OCIA 2009AA Revenue	10,366	10,356	-	-	-	-	-	-	-	-	20,722
OCIA 2009B Revenue	3,588	3,588	13,871	13,671	13,464	39,046	-	-	-	-	87,228
OCIA Series 2010, Refunding/Revenue	11,372	11,348	11,340	11,332	11,310	56,397	44,820	-	-	-	157,919
OCIA Series 2010A, Refunding	33,687	32,895	-	-	-	-	-	-	-	-	66,582
OCIA 2010A DOT	14,722	14,682	14,656	14,622	-	-	-	-	-	-	58,682
OCIA 2010B DOT	4,229	4,229	4,229	4,229	18,872	85,453	-	-	-	-	121,241
OCIA 2012 DOT	5,812	5,807	5,811	5,812	5,810	23,237	-	-	-	-	52,289
OCIA 2013A Revenue	2,665	2,666	2,670	2,653	2,236	4,825	-	-	-	-	17,715
OCIA 2014A Revenue	12,655	12,995	12,796	12,568	12,036	133,261	97,066	-	-	-	293,377
OCIA 2014B Revenue	11,446	10,025	9,995	229	232	731	-	-	-	-	32,658
OCIA 2014C Revenue	5,959	5,946	6,376	6,373	6,370	31,830	31,762	19,023	-	-	113,639
OCIA 2015A Revenue	4,228	4,233	4,228	4,228	4,230	12,692	-	-	-	-	33,839
OCIA 2015B Revenue	4,947	4,951	4,949	4,944	4,944	24,611	-	-	-	-	49,346
OCIA Series 2016	5,470	7,632	15,062	15,044	15,032	75,599	75,981	45,533	-	-	255,353
OCIA Series 2017A	1,336	2,889	2,884	2,872	2,872	12,198	2,287	-	-	-	27,338
OCIA Series 2017B	6,067	9,596	9,604	9,599	9,601	42,622	-	-	-	-	87,089
Corrections 2013, Central OK (ODFA)	2,647	2,650	2,651	2,653	2,648	2,126	-	-	-	-	15,375
Corrections 2016A, Central OK (ODFA)	299	299	299	299	299	1,200	-	-	-	-	2,695
DHS-2008	2,030	2,032	2,030	2,030	2,033	2,031	-	-	-	-	12,186
DHS-2012	1,798	1,795	1,794	1,793	1,344	-	-	-	-	-	8,524
DHS-2014	936	934	-	-	-	-	-	-	-	-	1,870
Law Enforcement Education/Train (ODFA)	1,463	1,467	1,464	1,465	1,462	7,195	-	-	-	-	14,516
OMES 2009 (ODFA)	2,916	2,917	2,912	2,912	2,907	14,494	14,415	8,613	-	-	52,086
Less: Interest	152,827	158,112	131,802	121,506	119,878	576,069	266,331	73,169	-	-	1,599,694
Total Principal	49,381	48,329	44,524	41,006	37,588	121,799	40,721	4,930	-	-	388,278
	103,446	109,783	87,278	80,500	82,290	454,270	225,610	68,239	-	-	1,211,416
Notes Payable:											
ODOT 2008A, Grant Anticipation	8,694	8,694	-	-	-	-	-	-	-	-	17,388
	8,694	8,694	-	-	-	-	-	-	-	-	17,388
Less: Interest	609	204	-	-	-	-	-	-	-	-	813
Total Principal	8,085	8,490	-	-	-	-	-	-	-	-	16,575
Capital Leases											
	1,206	997	634	88	6	-	-	-	-	-	2,931
Less: Interest	103	63	25	-	-	-	-	-	-	-	191
Total Principal	1,103	934	609	88	6	-	-	-	-	-	2,740
Total	\$ 139,979	\$ 147,737	\$ 87,887	\$ 80,588	\$ 82,296	\$ 454,270	\$ 225,610	\$ 68,239	\$ -	\$ -	\$ 1,286,606
Long-Term Debt without scheduled debt service:											
Compensated Absences											158,262
Net Pension Liability											1,042,548
Bond Issue Premiums											100,434
Claims and Judgments Payable											66,783
Other Postemployment Benefits											921
Total Long-Term Obligations											\$2,655,554

A. General Obligation Bonds

General obligation bonds, administered by the State Treasurer, are authorized and issued primarily to provide resources for state-owned capital improvements, including office buildings for state agencies. The state has pledged 100% of cigarette taxes collected under these bond issues. General obligation bonds are backed by the full faith and credit of the state, including the state's power to levy additional taxes to ensure repayment of the bonds.

B. Revenue Bonds

The Oklahoma Capitol Improvement Authority (OCIA) has seventeen outstanding series of building bonds to construct and equip state office buildings and prisons. Principal and interest payments on these bond issues are paid from rents collected from the various state and federal agencies that occupy the buildings constructed with the bond proceeds. The 2008A and B bonds were refunded with funds from 2017A series bonds and resulted in a projected savings of approximately \$2,265,000. New bond series 2016 was issued for \$170,000,000 for highway system improvements. The sale of series 2017B bonds for \$70,000,000 was issued for property acquisition and construction. Additionally, the bond issue funds continued repairs and improvements to the state capitol building.

The Oklahoma Development Finance Authority (ODFA) has issued lease revenue bonds to provide lease financing for the Department of Corrections, the Department of Human Services, the Council for Law Enforcement Education and Training, and the Office of Management and Enterprise Services. The actual lease payments are made to a trustee who is responsible for payments to individual investors.

C. Notes Payable

The Oklahoma Department of Transportation (ODOT) has issued several series of Grant Anticipation Notes for the purpose of financing certain qualified federal aid transportation projects in the state. The notes are secured by federal revenue received from the Federal Highway Administration (FHWA) and have a final maturity in 2019. Total revenue received from the FHWA in fiscal year 2017 was \$689,788,000 with a portion of that amount, \$17,387,000, reserved as security for the notes. Current year note obligations for principal and interest totaled \$8,694,000.

D. Capital Leases

The state has entered into agreements to lease equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. Capital lease obligations are reported for those leases where the fair market value of the leased asset at inception of the lease is \$25,000 or more.

Leased equipment under capital leases in capital assets at June 30, 2017, includes the following (expressed in thousands):

	Buildings	Equipment	Total
Cost	\$ 7,662	\$ 1,522	\$ 9,184
Less: Accumulated depreciation	(2,565)	(713)	(3,278)
Total	<u>\$ 5,097</u>	<u>\$ 809</u>	<u>\$ 5,906</u>

For fiscal year 2017, \$1,008,000 was recognized as depreciation expense for leased assets.

E. Other Liabilities

Compensated absences are liquidated by the General Fund and do not have scheduled future debt service requirements beyond one year. The pension obligation is for the Oklahoma Law Enforcement Retirement System (OLERS), Oklahoma Public Employees Retirement System, Oklahoma Police Pension and Retirement System, Oklahoma Teachers Retirement System and Oklahoma Wildlife Conservation Retirement Plan (OWCRP). These plans provide retirement, disability, and death benefits to the plan members and their beneficiaries. These pension obligations do not have scheduled future debt service requirements. The OWCRP obligation will be liquidated by the General Fund. The pension liability for all other plans will be liquidated by the respective pensions.

F. Authorized Unissued Bonds

The Oklahoma Capital Improvement Authority (OCIA) has been authorized to issue bonds in the amount of \$9,000,000 for the Department of Tourism and Recreation to acquire, construct and renovate offices. The Oklahoma Water Resources Board (OWRB) has been authorized to issue general obligation bonds in the amount of \$300,000,000 to be used as credit for other OWRB loan programs. During the 2015 legislative session, OCIA was authorized to issue \$25,000,000 of bonds for the Oklahoma Historical Society to fund construction and furnish the Museum of Popular Culture in Tulsa and, if certain conditions are met, to issue \$25,000,000 of bonds to provide funding for the completion of the Native American Indian Cultural Center and Museum in Oklahoma City. During the 2016 legislative session, OCIA was authorized to issue up to \$125,000,000 of bonds to fund repairs to the state capitol building. These bonds cannot be issued before fiscal year 2019.

Note 10. Long-Term Obligations As Related to Business-Type Activities

The Oklahoma Water Resources Board (Board) along with the Department of Environmental Quality has issued 34 series of revenue bonds. These bonds provide resources to implement statewide financial assistance programs. These programs make loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems. Three of the revenue bonds have a variable or floating rate and are also subject to mandatory sinking fund redemption. The remaining revenue bonds are held at a fixed rate.

Long-term obligations at June 30, 2017, and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Issue Amount	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue Bonds Payable from User Fees:									
1989-2017 Issues	1989-2017	\$1,216,945	0.188-5.00%	2048	\$ 818,295	\$ 142,255	\$ 163,285	\$ 797,265	\$ 43,810
Adjusted for: Bond Premiums and Discounts					49,029	15,792	8,058	56,763	-
Revenue Bonds Payable Net of Bond Premiums and Discounts					867,324	158,047	171,343	854,028	43,810
Other Noncurrent Liabilities					9,125	270	-	9,395	-
Net Pension Liability					1,668	2,661	-	4,329	-
Compensated Absences					1,075	145	217	1,003	228
Total Long-Term Obligations					\$ 879,192	\$ 161,123	\$ 171,560	\$ 868,755	\$ 44,038

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2017, which have scheduled debt service amounts (expressed in thousands):

	2018	2019	2020	2021	2022	2023-2027	2028-2032	2033-2037	2038-2042	2043-2047	Total
Revenue Bonds:											
1989-2017 Issues	\$ 76,952	\$77,078	\$77,810	\$74,822	\$71,675	\$292,737	\$226,310	\$127,367	\$66,276	\$13,313	\$1,104,605
Less: Interest	33,142	29,188	27,390	25,367	23,176	87,217	51,490	21,527	7,656	1,182	307,340
Principal	43,810	47,890	50,420	49,455	48,499	205,520	174,820	105,840	58,620	12,131	797,265
Adjusted for: Bond and Note Premium and Discounts											56,763
Long-Term Obligations without scheduled debt service:											
Other Noncurrent Liabilities											9,395
Net Pension Liability											4,329
Compensated Absences											1,003
Total Long-Term Obligations											\$ 868,755

Several of the bonds bear interest at variable rates, initially set at 0.87% to 2.90% and are periodically adjusted, pursuant to the provisions of the bond indentures, to a maximum rate of 12% per year. Variable rates are reset semiannually by the remarketing agent. The interest rate on the bonds was 0.65% to 0.75% at June 30, 2017. At the option of the Board and subject to applicable provisions of the bond indenture, which require, among other things, that all bonds be successfully remarketed, the variable interest rate may be converted to a term rate that would stay fixed until maturity.

Note 11. Long-Term Obligations As Related to Component Units

Long-term obligations at June 30, 2017 (September 30, 2016, for Oklahoma Housing Finance Agency and December 31, 2016, for Oklahoma Turnpike Authority, Grand River Dam Authority and Municipal Power Authority), and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General Obligation Bonds Payable from User Fees:								
Industrial Finance Authority	2001-2005	2.50 - 5.20%	2022	\$ 40,000	\$ -	\$ -	\$ 40,000	\$ -
Total General Obligation Bonds Payable				40,000	-	-	40,000	-
Revenue Bonds Payable from User Fees:								
Student Loan Authority	1995-2013	0.15 - 6.35%	2041	315,810	-	93,902	221,908	-
Development Finance Auth.	1996	2.50%	2031	9,999	-	-	9,999	-
Housing Finance Agency	1991-2013	1.20 - 7.35%	2044	303,422	-	70,186	233,236	7,415
Turnpike Authority	2006-2017	0.20 - 5.00%	2031	934,395	54,700	54,050	935,045	111,205
Grand River Dam Authority	2008-2017	1.80 - 7.16%	2040	1,130,580	496,405	614,744	1,012,241	24,780
Municipal Power Authority	1992-2014	0.01 - 6.44%	2047	698,605	-	31,820	666,785	21,665
University Hospitals Authority	2005	0.43 - 1.20%	2036	45,250	-	1,385	43,865	1,475
Higher Education	1993-2017	0.40 - 6.63%	2047	1,585,401	147,467	185,578	1,547,290	47,830
Total Before Discounts/Deferrals				5,023,462	698,572	1,051,665	4,670,369	
Adjusted for: Bond (Discount) Premiums				119,370	100,796	15,556	204,610	
Total Revenue Bonds Payable								
Net of Bond (Discounts) Premiums and Deferrals				5,142,832	799,368	1,067,221	4,874,979	214,370
Notes Payable:								
Multiple Injury Trust Fund	2000-2001	7.00%	2023	15,162	-	1,913	13,249	2,050
Oklahoma Turnpike Authority	2017	1.66%	2017	15,000	15,000	15,000	15,000	15,000
Student Loan Authority	2016-2017	1.9 - 2.00%	2032	34,195	52,450	21,424	65,221	-
OSU Medical Authority	2014	4.12 - 4.78%	2021	12,648	-	1,882	10,766	1,974
Municipal Power Authority	2003	6.00%	2028	39,986	-	2,118	37,868	2,245
Higher Education	2001-2017	1.00-6.00%	2046	106,878	2,775	2,595	107,058	93,830
Total				223,869	70,225	44,932	249,162	115,099
Capital Leases:								
OSU Medical Authority				1,013	-	228	785	230
Higher Education				1,246,191	188,248	107,310	1,327,129	96,018
Total				1,247,204	188,248	107,538	1,327,914	96,248
Claims and Judgments				412,033	72,257	54,559	429,731	39,807
Due to Primary Government				52,911	352	-	53,263	-
Compensated Absences				126,426	92,847	90,520	128,753	87,914
Net Pension Liability				1,604,485	635,233	4,237	2,235,481	-
Other Noncurrent Liabilities				1,105,347	718,679	627,073	1,196,953	706,134
Total Long-Term Obligations				\$ 9,955,107	\$2,577,209	\$1,996,080	\$10,536,236	\$1,259,572

A. General Obligation Bonds

Oklahoma Industrial Finance Authority (OIFA) has six series of general obligation bonds outstanding. These bonds are issued for the funding of industrial finance loans to encourage business development within the state. All revenues arising from the net proceeds from repayment of industrial finance loans and interest received thereon are pledged under these bond issues. In addition, these general obligation bonds are backed by the full faith and credit of the state.

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2017 (September 30, 2016, for Oklahoma Housing Finance Agency and December 31, 2016, for Oklahoma Transportation Authority, Grand River Dam Authority and Municipal Power Authority), which have scheduled debt service amounts (expressed in thousands):

	2017	2018	2019	2020	2021	2022-2026	2027-2031	2032-2036	2037-2041	2042-2046	2047-2051	Total
General Obligation Bonds:												
Industrial Finance Authority	\$ 1,000	\$ 10,812	\$ 20,438	\$ 250	\$ 10,125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,625
Less: Interest	1,000	812	438	250	125	-	-	-	-	-	-	2,625
Total Principal	-	10,000	20,000	-	10,000	-	-	-	-	-	-	40,000
Revenue Bonds:												
Student Loan Authority	4,695	4,695	4,695	4,695	4,695	23,475	23,475	100,305	149,255	-	-	319,985
Development Finance Auth.	250	250	250	250	250	1,250	1,186	-	-	-	-	13,686
Housing Finance Agency	16,033	15,806	15,826	15,764	14,248	78,934	67,159	62,826	50,971	10,110	-	347,677
Turnpike Authority	150,039	90,824	90,824	90,822	87,969	439,844	282,399	-	-	-	-	1,232,721
Grand River Dam Authority	62,337	62,189	73,102	83,295	83,151	426,406	403,588	293,050	137,700	-	-	1,624,818
Municipal Power Authority	47,727	51,544	49,975	49,748	47,769	223,368	177,149	145,223	148,512	151,024	30,199	1,122,238
University Hospitals Authority	2,224	2,272	2,323	2,386	2,493	9,974	13,790	15,362	902	-	-	51,726
Higher Education	108,912	115,819	114,178	113,771	113,492	550,709	481,493	402,641	279,427	107,703	-	2,388,145
	392,217	343,399	351,173	360,731	354,067	1,753,960	1,460,239	1,019,407	766,767	268,837	30,199	7,100,996
Less: Interest	177,847	186,622	180,218	173,123	166,433	691,372	455,330	263,037	108,307	27,149	1,189	2,430,627
Total Principal	214,370	156,777	170,955	187,608	187,634	1,062,588	1,004,909	756,370	658,460	241,688	29,010	4,670,369
Notes Payable:												
Multiple Injury Trust Fund	2,925	2,925	2,925	2,925	2,924	4,376	-	-	-	-	-	19,000
Oklahoma Turnpike Authority	15,248	-	-	-	-	-	-	-	-	-	-	15,248
Student Loan Authority	1,231	1,231	1,231	1,231	1,231	2,041	69,848	-	-	-	-	78,044
OSU Medical Authority	2,425	2,425	2,425	2,425	2,456	-	-	-	-	-	-	12,156
Municipal Power Authority	4,517	4,517	4,517	4,517	4,517	22,583	9,033	-	-	-	-	54,201
Higher Education	94,084	832	952	881	771	8,658	1,379	1,087	1,087	1,087	217	111,035
	120,430	11,930	12,050	11,979	11,899	37,658	80,260	1,087	1,087	1,087	217	289,684
Less: Interest	5,330	4,690	4,292	3,869	3,418	11,634	6,275	489	346	169	10	40,522
Total Principal	115,100	7,240	7,758	8,110	8,481	26,024	73,985	598	741	918	207	249,162
Capital Leases:												
OSU Medical Authority	260	260	260	63	-	-	-	-	-	-	-	843
Higher Education	147,287	127,406	104,992	101,127	102,993	528,617	425,023	209,589	114,306	60,078	-	1,921,418
	147,547	127,666	105,252	101,190	102,993	528,617	425,023	209,589	114,306	60,078	-	1,922,261
Less: Interest	51,299	47,413	45,322	43,758	41,072	177,501	110,873	49,642	22,278	5,189	-	594,347
Total Principal	96,248	80,253	59,930	57,432	61,921	351,116	314,150	159,947	92,028	54,889	-	1,327,914
Total	\$425,718	\$254,270	\$258,643	\$253,150	\$268,036	\$1,439,728	\$1,393,044	\$ 916,915	\$751,229	\$297,495	\$ 29,217	\$ 6,287,445
Adjusted for: Net Discounts and Deferred Debits on Refundings												204,610
Long-Term Obligations without scheduled debt service:												
Claims and Judgments												429,731
Due to Primary Government												53,263
Compensated Absences												128,753
Net Pension Liability												2,235,481
Other Noncurrent Liabilities												1,196,953
Total Long-Term Obligations												<u>\$ 10,536,236</u>

B. Revenue Bonds

The Oklahoma Student Loan Authority (OSLA) has issued four series of revenue bonds with outstanding balances. The bonds were issued for the purpose of funding student loans. All bonds payable are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective bond resolution. Variable interest rates are adjusted periodically based on prevailing market rates of various instruments as prescribed in bond indentures. At June 30, 2017, the variable interest rates ranged from 1.7% to 2.4%.

The Oklahoma Development Finance Authority (ODFA) has issued revenue bonds to fund loans to various investment enterprises in connection with the Quality Jobs Investment Program. The bonds are payable solely from and secured by the revenues and funds in the Quality Jobs Investment Program and a Credit Enhancement Reserve Fund guarantee insurance policy. The interest rates are variable and equal to the Oklahoma Industrial Finance Authority's cost of funds on its outstanding variable rate bond issues. The interest rate at June 30, 2017 was 2.5%.

The Oklahoma Housing Finance Agency (OHFA) has issued fifteen series of revenue bonds with outstanding balances at year end. The net proceeds of these bonds are used to provide financing for qualifying residences, provide interim and permanent financing for multifamily construction projects, and establish debt service reserves as required by the various trust indentures.

The Oklahoma Turnpike Authority (OTA) has four series of revenue bonds outstanding with an original issue amount of \$1,364,930,000. The bonds are issued for the purpose of financing capital improvements and new projects relating to the state's turnpike system and are financed primarily by tolls assessed on users of the turnpikes.

The Grand River Dam Authority (GRDA) has seven series of revenue bonds outstanding with an original issue amount of \$1,686,575,000. Oklahoma statutes have authorized GRDA to issue revenue bonds with the aggregate outstanding indebtedness not to exceed \$1,410,000,000.

The Oklahoma Municipal Power Authority (OMPA) has ten series of revenue bonds outstanding. The bonds were issued to finance portions of OMPA's acquisition and construction activities. The bonds are payable from and collateralized by a pledge of and security interest in the proceeds of the sale of the bonds, the revenues of OMPA, and assets in the funds established by the respective bond resolutions. Neither the State of Oklahoma nor any political subdivision thereof is obligated to pay principal or interest on the bonds. OMPA does not have any taxing authority. Certain series of the bonds have a variable interest rate which is established either by auction or a weekly index. The maximum rate is 14%.

The University Hospitals Authority (UHA) has issued two revenue bond series (2005A-Tax Exempt and 2005B- Taxable) with an original issue amount of \$55,460,000. The proceeds were used to finance construction of new pediatric ambulatory care facilities and a basic research center.

Nine of the state's colleges and universities within the Higher Education component unit have authorized and issued 60 series of revenue bonds with an original issue amount of \$2,292,290,000. These bonds were issued for the construction of student housing and other facilities. Student fees, revenues produced by the constructed facilities, and other revenues collateralize the revenue bonds.

C. Defeased Bonds

In prior years, component units have defeased bonds by placing assets in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the assets of the trusts and the liabilities for the defeased bonds are not included in the accompanying financial statements. OMPA had defeased bonds outstanding at June 30, 2017 (December 31, 2016 for OMPA), totaling \$32,910,000.

D. Notes Payable

The Multiple Injury Trust Fund (MITF) component unit reports a note payable to CompSource Oklahoma of \$13,249,000 as permitted by statute. Included in this note payable is a \$6,000,000 advance on a line of credit. The note and line of credit bear interest at a 7% rate and are payable over 30 years in quarterly installments. The note and line of credit are collateralized by MITF revenues and any equity or other interests available to MITF.

Notes of the Oklahoma Student Loan Authority (OSLA) are issued to fund student loans and are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective financing agreements. Variable interest rates are adjusted periodically based on prevailing market rates of various instruments as prescribed in lending agreements. At year end the variable interest rate was 1.2%.

The Oklahoma Municipal Power Authority (OMPA) has issued \$57,739,000 in a taxable limited obligation note. The note is payable solely from lease payments made by FPL Energy Oklahoma Wind, LLC, with no recourse to OMPA. The note bears an interest rate of 6%, and annual principal and interest payments are due through December 31, 2028.

The Higher Education component unit has entered into various notes payable agreements. Lease payments, a pledge of "Section Thirteen Fund State Educational Institutions" moneys, the equipment purchased, and the facilities constructed are pledged as collateral on the notes.

E. Capital Leases

The Higher Education component unit has entered into agreements with unrelated parties as well as agreements with the Oklahoma Capital Improvement Authority (OCIA) to lease various facilities, equipment and improvements. In fiscal year 1999, the Higher Education component unit signed capital lease agreements with OCIA totaling \$49,178,000 and additional agreements totaling \$515,350,000 during fiscal year 2006. In fiscal year 2011, additional agreements with OCIA totaling \$249,440,000 were added. In fiscal year 2014, lease agreements for \$177,055,000 were added. During fiscal year 2015, lease agreements for \$95,713,000 were added. The outstanding principal balance for the OCIA leases at June 30, 2017, is \$384,424,000. Only the principal balance of the leases is recognized since it is equivalent to the value of the items leased. The OCIA agreements are aggregated with the other capital lease obligations on the statement of net position for year end.

Oklahoma State University Medical Authority has capital leases totaling \$785,000 for equipment through fiscal year 2021.

Leased assets under capital leases in capital assets at June 30, 2017, included the following (expressed in thousands):

	Land	Construction In Progress	Buildings	Equipment	Total
Cost	\$ -	\$ 11,374	\$ 394,208	\$ 427,972	\$ 833,554
Less: Accumulated depreciation	-	-	(68,971)	143,968	74,997
Total	\$ -	\$ 11,374	\$ 325,237	\$ 571,940	\$ 908,551

F. Other Liabilities

Claims and judgments, due to Primary Government, compensated absences, and other noncurrent liabilities of each component unit, as presented in the financial statements, will be liquidated by the reporting component unit. Other noncurrent liabilities include deferred revenue and other miscellaneous liability amounts. These liabilities do not have scheduled future debt service requirements beyond one year.

G. Authorized Unissued Bonds

By statute, Oklahoma Industrial Finance Authority (OIFA) has authority to issue general obligation bonds not to exceed \$90,000,000 plus the balance in its bond redemption account. This results in \$50,000,000 of authorized but unissued general obligation bonds. Certain institutions within the Higher Education component unit have been authorized to issue revenue bonds in the amount of \$35,000,000 for various construction projects, renovation and acquisition of property.

Note 12. Net Position/Fund Balance

Beginning Net Position and Other Restatements

Primary Government

Beginning net position related to Governmental Activities on the Statement of Activities have been restated due to a correction of accounting errors (increase of \$421,639,000) at July 1, 2016.

The Statement of Revenues, Expenditures and Changes in Fund Balance for Governmental Funds has been restated due to correction of accounting errors. Total beginning net position for Governmental funds increased \$418,666,000.

Component Units

Beginning net position for Component Units has been restated due to accounting errors (decrease of \$9,328,000) and cumulative change in accounting principle (adoption of various GASB statements resulting in a decrease of \$9,266,000). The net effect of the restatements decreased beginning net position by \$18,594,000 as of July 1, 2016.

Governmental Fund Balance

The governmental fund financial statements present fund balance at the aggregate level of detail within the categories defined by GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The table below represents the detailed amount of fund balance available to each functional level of government within those categories. This table also contains a separate detailed categorization for the state's stabilization, or "Rainy Day" fund if a balance is available at the end of fiscal year (expressed in thousands):

	Permanent Funds					Total Governmental Funds
	General	Commissioners of the Land Office	Wildlife Lifetime Licenses	Tobacco Settlement Endowment Trust		
Nonspendable						
Inventories	\$ 78,295	\$ -	\$ -	\$ -	\$ -	\$ 78,295
Prepays	260	-	-	-	-	260
Permanent Fund Principal	-	2,380,398	83,555	1,044,101		3,508,054
Restricted						
Education	21,643	-	-	-		21,643
Government Administration	577,139	-	-	-		577,139
Health Services	56,091	-	-	-		56,091
Legal and Judiciary	18,202	-	-	-		18,202
Museums	2,381	-	-	-		2,381
Natural Resources	17,398	-	-	-		17,398
Safety and Defense	17,767	-	-	-		17,767
Regulatory Services	3,072	-	-	-		3,072
Social Services	4,094	-	-	-		4,094
Transportation	2,327	-	-	-		2,327
Stabilization Fund (Rainy Day)	70,015	-	-	-		70,015
Committed						
Education	(2,529,948)	-	-	-		(2,529,948)
Government Administration	3,805,280	-	-	39,736		3,845,016
Health Services	(443,446)	-	-	-		(443,446)
Legal and Judiciary	64,921	-	-	-		64,921
Museums	9,237	-	-	-		9,237
Natural Resources	196,791	-	2,097	-		198,888
Safety and Defense	45,881	-	-	-		45,881
Regulatory Services	181,007	-	-	-		181,007
Social Services	557,489	-	-	-		557,489
Transportation	358,439	-	-	-		358,439
Assigned	542	-	-	52,692		53,234
Unassigned						
Stabilization Fund (Rainy Day)	23,338	-	-	-		23,338
Total Fund Balances	\$ 3,138,215	\$ 2,380,398	\$ 85,652	\$ 1,136,529	\$ -	\$ 6,740,794

Nonspendable fund balance represents amounts that are not in spendable form. These amounts are not expected to be converted to cash. The state's primary forms of nonspendable fund balance are inventories and prepaid items such as rent or postage. Nonspendable fund balance also includes principal amounts within each respective permanent fund that is legally required to be maintained into perpetuity.

Restricted fund balance represents amounts that have constraints upon their use through either outside creditors, grantors, contributors or other governments as well as those amounts restricted through constitutional provisions or enabling legislation that can be legally enforced by parties outside the government. The state's general fund restricted fund balance is primarily comprised of amounts yet to be expended under federal grant awards, imminent payments on outstanding bond issues, long-term receivables that must be used for debt repayment, and 75% of any available balance in the stabilization or "Rainy Day" fund. The Commissioners of the Land Office Permanent Fund is restricted for educational systems. Fund balance as restricted by the various constraints in the general fund for the fiscal year ended June 30, 2017, were as follows (expressed in thousands):

	General Fund - Restricted			
	Debt Service Only	Federal Cash	By Enabling Legislation	Restricted Fund Balance
Restricted				
Education	\$ -	\$ 21,643	\$ -	\$ 21,643
Government Administration	570,837	6,302	-	577,139
Health Services	194	55,897	-	56,091
Legal and Judiciary	-	18,202	-	18,202
Museums	897	1,484	-	2,381
Natural Resources	822	16,576	-	17,398
Safety and Defense	137	17,630	-	17,767
Social Services	3,521	573	-	4,094
Regulatory Services	2,882	190	-	3,072
Transportation	-	2,327	-	2,327
Stabilization Fund (Rainy Day)	-	-	70,015	70,015
Total Fund Balances	<u>\$ 579,290</u>	<u>\$ 140,824</u>	<u>\$ 70,015</u>	<u>\$ 790,129</u>

Committed fund balance is presented for each respective function of government as directed by the state's highest level of decision making authority. Along with ratification by the governor, the Senate and the House of Representatives write, prepare and approve legislative bills to allocate the state's available resources each fiscal year. This process is a formal legislative action constituting the highest level of decision making authority. Once this authority has been exercised, the same action must be taken to modify or rescind a previously approved bill or allocation of resources.

Under GAAP reporting, the nonspendable and restricted fund balance categories are considered to be restricted fund balance. The committed, assigned and unassigned fund balances are considered to be unrestricted fund balance. Generally, when the state has both restricted and unrestricted resources available, the restricted balances will be used first as expenditures are incurred as long as conditions that created the restriction are met. When unrestricted fund balance is used, the order of use would generally be committed, then assigned, and finally unassigned.

Article 10, Section 23 of the State Constitution establishes a stabilization arrangement (Constitutional Reserve or Rainy Day Fund) under certain conditions where revenues collected exceed estimates made by the State Board of Equalization. Each year the Board determines the amount available for allocation by the legislature not to exceed 95% of the Board's estimate, or General Revenue Fund certification amount. In any year in which amounts collected exceed 100% of the Board's estimated revenues, the excess is placed in the Constitutional Reserve Fund until the fund reaches 15% of the General Revenue Fund certification amount for the preceding fiscal year. Up to 37.5% of the balance in the fund at the beginning of the year may be appropriated for the forthcoming fiscal year when the Equalization Board's estimate is lower than the current fiscal year certification. An additional 37.5% of the Constitutional Reserve Fund at the beginning of the year may be appropriated for the current year if the Equalization Board determines that a revenue failure has occurred with respect to the General Revenue Fund for the current year. The remaining 25% of the balance in the Constitutional Reserve Fund may be appropriated upon a declaration by the governor that emergency conditions exist with concurrence by a two-thirds vote within the Senate and House of Representatives. This same 25% may also be appropriated through a joint declaration of emergency by both the Senate and House of Representatives with a concurrent 3/4ths vote by each legislative body. Due to the different methods for accessing the Constitutional Reserve Fund, any balance with the fund at year end is presented as 75% restricted and 25% unassigned. This split in presentation most closely aligns the government's ability to access these funds with the proper fund balance classification. The total Constitutional Reserve Fund balance at June 30, 2017, was \$93,353,000, with \$70,015,000 presented as restricted fund balance and \$23,338,000 as unassigned fund balance.

The Tobacco Trust Fund's assigned fund balance classification reflects amounts that are constrained by the Fund's intent to be used for specific purposes. For purposes of assigned fund balance, the Fund's Board of Directors has authority to assign funds for specific purposes. Prior to 2012, the Board of Directors had determined that 10% of the unassigned fund balance would be designated as a reserve for future periods, should annual earnings prove insufficient to cover expenses. In November 2011, the Board of Directors chose to limit yearly expenditures of certified earnings to no more than 5% of the corpus of the Fund, with any unexpended certified earnings added to the reserve. For the fiscal year ended June 30, 2017, the assigned fund balance was \$52,692,000.

As explained in Note 1, *Summary of Significant Accounting Policies*, section J, the General Fund inventory includes \$1,215,000 in food commodities which is also included in deferred revenue. Therefore, nonspendable fund balance for inventory/prepaid on the balance sheet is \$1,215,000 less than the total of inventory and prepaid items.

Note 13. Nonrecourse Debt and Debt Guarantees

Nonrecourse (Conduit) Debt, Notes Receivable and Funds in Trust

Financing agreements of Oklahoma Development Finance Authority (ODFA) and Oklahoma Housing Finance Agency (OHFA) are structured such that the debt is to be repaid solely from the revenues derived from the related facilities leased or acquired, or from the disposition of collateral. ODFA and OHFA do not hold notes receivable and trust investments in amounts equal to the long-term financings. As of September 30, 2016, OHFA had seven series of multifamily bonds outstanding with an aggregate principal amount payable of approximately \$62,198,000. These financings are not general obligations of the state or state agencies, and it is the opinion of agency management and its legal counsel that, in the event of default by a borrower, the state has no responsibility for repayment of such financings. Accordingly, the nonrecourse debt and the related notes receivable and trust investments of ODFA and OHFA's multi family bond programs have been excluded from the financial statements. The debt and other obligations and the related notes receivable and other assets of OHFA's single family bonds are presented in the financial statements, since any assets remaining when the single family bond programs are liquidated are transferred to OHFA.

Credit Enhancement Reserve Fund

Under the Constitution of the State of Oklahoma, ODFA may issue bonds of the state, to be known as Credit Enhancement Reserve Fund General Obligation Bonds, in a total principal amount of \$100,000,000, for the sole purpose of generating resources if there are insufficient assets to meet insurance obligations. The Fund is managed, administered, and utilized by ODFA solely to secure the payment of interest insurance on the revenue bonds and other financial obligations issued by the Authority for the specific purpose of enhancing and supporting the credit of such obligations. As of June 30, 2017, there were approximately \$38,300,000 of outstanding financial obligations insured by ODFA. At year end, the Fund has accrued a reserve for losses of approximately \$633,000 to cover potential losses from outstanding financial obligations insured by the Fund. Through June 30, 2017, there have been no Oklahoma Credit Enhancement Reserve Fund General Obligation Bonds issued since it is the intention of ODFA to utilize existing assets to meet obligations arising from losses reserved and accrued payments in lieu of interest by the Fund.

Note 14. Retirement and Pension Systems

A. Plan Description

The State of Oklahoma has six Public Employee Retirement Systems (PERS) that administer pension plans: Oklahoma Firefighters Pension and Retirement System (OFPRS), Oklahoma Law Enforcement Retirement System (OLERS), Oklahoma Public Employees Retirement System (OPERS), Uniform Retirement System for Justices and Judges (URSJJ), Oklahoma Police Pension and Retirement System (OPPRS), and the Teachers Retirement System of Oklahoma (TRS). These plans are all fiduciary component units of the state. The Department of Wildlife Conservation administers the Wildlife Conservation Retirement Plan (WCRP), which is part of the Primary Government.

OFPRS, OPERS, OPPRS, and TRS are all cost-sharing, multi-employer defined benefit retirement systems. URSJJ, OLERS and WCRP are single-employer, defined benefit retirement systems. Pension benefit provisions for all plans were established by statute and benefit provisions are amended by the State Legislature. Each plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments are provided to plan members at the discretion of the State Legislature. The information and schedules which follow are the representation of the respective state and local governmental employer pension plans which are administered through trusts.

Separately issued independent audit reports for each pension plan may be obtained from the following:

Firefighters Pension and Retirement 6601 Broadway Extension, Suite 100 Oklahoma City, OK 73116 http://www.ok.gov/fprs/	Law Enforcement Retirement 421 N.W. 13th Street, Suite 100 Oklahoma City, OK 73103 http://www.oters.state.ok.us/	Police Pension and Retirement 1001 N.W. 63rd Street, Suite 305 Oklahoma City, OK 73116 http://www.ok.gov/OPPRS/
Public Employees Retirement P.O. Box 53007 Oklahoma City, OK 73152 http://www.opers.ok.gov/	Uniform Retirement System for Judges and Justices P.O. Box 53007 Oklahoma City, OK 73152 http://www.opers.ok.gov/	Teachers Retirement System 2500 N. Lincoln Boulevard, 5th FL Oklahoma City, OK 73105 http://www.ok.gov/TRS/
Department of Wildlife Conservation P.O. Box 53465 Oklahoma City, OK 73152 http://www.wildlifedepartment.com		

B. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the respective pension plans and additions to/deductions from plans fiduciary net position have been determined on the same basis as they are reported by each pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

C. Eligibility Factors and Benefit Provisions

Provisions

OFPRS as of July 1, 2016

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| a. Eligible to Participate | All eligible firefighters of a participating municipality or a fire protection district who perform the essential functions of fire suppression, prevention and life safety duties in a fire department |
| b. Period Required to Vest | Ten years of credited service if employed prior to November 1, 2013; Eleven years of credited service if employed after November 1, 2013 |
| c. Eligibility for Distribution | Normal retirement 20 years of service if employed prior to November 1, 2013; Age 50 with 20 years of service if employed after November 1, 2013; Disability retirement upon disability; Death benefit of \$5,000 payable to the qualified spouse or designated recipient upon the participant's death |
| d. Benefit Determination Base | Final average salary - the average paid gross salary of the firefighter for normally scheduled hours over the highest salaried thirty consecutive months of the last sixty months of credited service |
| e. Benefit Determination Methods: | |
| Normal Retirement | Paid firefighters: 50% of the firefighter's final average salary; Volunteer firefighters: \$150.60 per month, effective July 1, 2008 |

Disability Retirement Paid Firefighters	2.5% of the firefighter's final average salary per year of service, with a minimum service credit of twenty years and maximum of thirty years; For disabilities not in the line of duty, final average monthly compensation is based on 60 months instead of 30 months
Volunteer Firefighters	\$7.53 per month per years of service, with a maximum of 30 years; For disabilities or deaths in the line of duty, there is a minimum service credit of 20 years
f. Benefit Authorization	Benefits are established in accordance with Title 11 of the Oklahoma Statutes, Section 49-100.1 through 49-143.6 as amended
g. Form of Benefit Payments	Straight life annuity; Survivor Benefit: Joint and 100% Survivor Annuity if firefighter was married 30 months prior to death

Provisions

OLERS as of July 1, 2016

a. Eligible to Participate	All law enforcement officers of the Oklahoma Highway Patrol (OHP) and Capitol Patrol of Department of Public Safety, Oklahoma State Bureau of Investigation (OSBI), Oklahoma State Bureau of Narcotics and Dangerous Drugs Control (OBNDD), Alcoholic Beverage Laws Enforcement Commission (ABLE), members of the DPS Communications Division (Communications), DPS Waterways Lake Patrol, Tourism and Recreation Department (Rangers), Inspectors of the Oklahoma State Board of Pharmacy (Pharmacy Inspectors), and Gun Smiths of DPS are eligible upon employment
b. Period Required to Vest	Ten years of credited service
c. Eligibility for Distribution	Normal retirement 20 years of service or age 62 with 10 years of service; Maximum of age 60 with 20 years of service, unless considered physically able to continue; Disability benefit upon determination of disability incurred in the line of duty; For disability not in the line of duty after three years of service; Death benefit of \$5,000 payable to the designated beneficiary
d. Benefit Determination Base	Final average salary – the average of the highest thirty consecutive complete months of compensation
e. Benefit Determination Methods:	
Normal Retirement	2.5% of member's final average salary multiplied by the years of credited service; No maximum on service
Disability Retirement: Duty	The greater of: 1) 2.5% of the greater of the final average salary times years and completed months of credited service, or 2) 50% of final average salary
Non-Duty	2.5% of the final average salary times years and

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| | completed months of credited service |
| f. Benefit Authorization | Benefits are established in accordance with Title 47 of the Oklahoma Statutes, Chapter 2, Article III, Section 2-300 through 2-315 as amended |
| g. Form of Benefit Payments | 100% Joint and Survivor Annuity |

Provisions

OPERS as of July 1, 2016

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| a. Eligible to Participate | <p>All permanent employees of the State of Oklahoma, and any other employer such as a county, county hospital, city or town, conservation districts, circuit engineering districts, and any trust in which a county, city, or town participates and is the primary beneficiary, are eligible to join if:</p> <ul style="list-style-type: none"> • The employee is not eligible for or participating in another retirement system authorized under Oklahoma law, is covered by Social Security and not participating in the U.S. Civil Service Retirement System • The employee is scheduled for 1,000 hours per year and salary is not less than the hourly rate of the monthly minimum wage for state employees (for employees of local government employers, not less than the hourly rate of the monthly minimum wage for such employees) |
| b. Period Required to Vest | Eight years of credited service |
| c. Eligibility for Distribution | <p>Normal retirement :</p> <ul style="list-style-type: none"> • Member before November 1, 2011, one of the following: <ul style="list-style-type: none"> Age 62 with 6 years of credited service; For elected officials age 60 80 points - The sum of age and years of service equals 80 if member before July 1, 1992 90 points - The sum of age and years of service equals 90 if member after July 1, 1992 • Member on or after November 1, 2011, one of the following: <ul style="list-style-type: none"> Age 65 with 6 years of credited service; For elected officials age 65 with 8 years of elected service 90 points – At least age 60 and the sum of age and years of service equals 90 |

Disability benefit after 8 years of service, provided member qualifies for disability benefits from the Social Security Administration or the Railroad Retirement Board

Death benefit of \$5,000 payable upon death of retiree to the designated beneficiary

d. Benefit Determination Base

Final average salary – member before July 1, 2013, the average of the 36 highest months of compensation earned within the last 10 years of service (including highest 3 longevity payments); Member after July 1, 2013, the average highest 60 months of compensation earned within the last 10 years of service (including highest 5 longevity payments)

e. Benefit Determination Methods:

Normal Retirement

2% of member's final average salary multiplied by the years of credited service

Disability Retirement

Same as normal retirement

f. Benefit Authorization

Benefits are established in accordance with Title 74 of the Oklahoma Statutes, Chapter 29, Section 901 through 935 as amended

g. Form of Benefit Payments

Life Annuity, Joint and 50% Survivor, Joint and 100% Survivor Annuity, Life Annuity with a minimum of 120 monthly payments, and Medicare Gap Benefit option

Provisions

USRJJ as of July 1, 2016

a. Eligible to Participate

Any Justice or Judge of the Supreme Court, Court of Criminal Appeals, Workers' Compensation Court, Court of Appeals or District Court who serves as Justice or judge of any of said courts in the State of Oklahoma

b. Period Required to Vest

Eight years of credited service

c. Eligibility for Distribution

Normal retirement :

- Member before January 1, 2012, one of the following:

Age 60 with 10 years of credited service

Age 65 with 8 years of credited service

80 points- The sum of age and years of service equals 80

- Member after January 1, 2012, one of the following:

Age 62 with 10 years of credited service

Age 67 with 8 years of credited service

	Disability benefit at age 55 and 15 years of continuous judicial service
	Death benefit of \$5,000 payable upon death of retiree to the designated beneficiary
d. Benefit Determination Base	Final average salary – average monthly salary based on the highest 36 months of active service
e. Benefit Determination Methods:	
Normal Retirement	4% of member's final average compensation multiplied by years of credited service not to exceed 100% of final average salary
Disability Retirement	Same as normal retirement
f. Benefit Authorization	Benefits are established in accordance with Title 20 of the Oklahoma Statutes, Chapter 16, Section 1101 through 1111 as amended
g. Form of Benefit Payments	Single-life, Joint and 50% Survivor, Joint and 100% Survivor

Provisions

OPPRS as of July 1, 2016

a. Eligible to Participate	All eligible officers of a participating municipality and any person hired by a participating municipality who is undergoing police training to become a permanent police officer; Works more than 25 hours per week and is not less than 21 or more than 45 years of age when accepting membership
b. Period Required to Vest	Ten years of credited service
c. Eligibility for Distribution	Normal retirement upon completing 20 years of credited service Total Disability (Duty): upon determination of total disability; Non-Duty: upon determination of disability after 10 years of service Death benefit of \$5,000 payable upon death of retiree to the designated beneficiary
d. Benefit Determination Base	Final average salary – average monthly salary based on the highest 36 months of active service
e. Benefit Determination Methods:	
Normal Retirement	2.5% of member's final average salary multiplied by years of credited service not to exceed 30 years
Disability Retirement	Total Disability (Duty): 50% of final average salary Total Disability (Non-Duty): 2.5% of final average salary multiplied by years of credited service not to

exceed 30 years

Partial Disability (Duty): final average salary reduced by the % of impairment, as outlined in the “American Medical Association’s Guide to the Evaluation of Permanent Impairment”

Partial Disability (Non-Duty): 2.5% of final average salary multiplied by years of credited service (maximum of 30 years) reduced by the percentage of impairment, as outlined in the “American Medical Association’s Guide to the Evaluation of Permanent Impairment”

f. Benefit Authorization

Benefits are established in accordance with Title 11 of the Oklahoma Statutes, Chapter 1, Section 50-101 through 50-136.8 as amended

g. Form of Benefit Payments

Straight life annuity

Provisions

TRS as of July 1, 2016

a. Eligible to Participate

All employees of any public school in Oklahoma, including public colleges and universities

b. Period Required to Vest

Five years of credited service

c. Eligibility for Distribution

Normal retirement :

- Member after July 1, 1967, and before November 1, 2011 – age 62 with 5 years of service
- Member after October 31, 2011 – age 65 with 5 years of service or age 60 and the number of years of service totals 90
- Member before July 1, 1992 – age and the number of years of creditable service total 80
- Member on or after July 1, 1992 but prior to November 1, 2011 – age and the number of years totals 90

Early retirement:

- Member prior to November 1, 2011 – Age 55 and 5 years of service or upon completion of 30 years of service
- Member after October 31, 2011 – Age 60 and 5 years of service

Disability benefit after 10 years of service

Death benefit of \$5,000 payable upon death of retiree to the designated beneficiary

d. Benefit Determination Base

Final average salary – For those becoming members before July 1, 1992, the compensation for the three years on which the highest contributions are paid; For persons becoming members after June 30, 1992, the compensation for the five years on which the highest contributions are paid

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| e. Benefit Determination Methods: | |
| Normal Retirement | 2% of member's final average salary subject to the compensation limits in Title 70, Chapter 1, Article 17, Section 17-101(28) and 17-116.2C. |
| Disability Retirement | Same as normal retirement |
| f. Benefit Authorization | Benefits are established in accordance with Title 70 of the Oklahoma Statutes, Chapter 1, Article 17, Section 17-101 through 17-122.1 as amended |
| g. Form of Benefit Payments | Straight Life Annuity, Joint and 50% Survivor, Joint and 100% Survivor |

Provisions

WCRP as of July 1, 2016

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| a. Eligible to Participate | Employees with a hire date prior to July 1, 2010; Plan was frozen as of July 1, 2010 |
| b. Period Required to Vest | Ten years of credited service |
| c. Eligibility for Distribution | Normal retirement – Age 65

Early retirement: <ul style="list-style-type: none"> • Age 55 and 15 years of service; Benefit reduced 2% for each year benefit received prior to age 62 • Age 55 and sum of age and years of continuous service equals 85 |
| d. Benefit Determination Base | Final average salary – Highest 3 years annual covered compensation received during the last 10 years of participating service |
| e. Benefit Determination Methods: | |
| Normal Retirement | 2.5% of member's final average salary multiplied by years of credited service; Employees hired after July 1, 1995, the maximum benefit is 85% of final average salary with minimum benefit of \$50 per month |
| Disability Retirement | Same as normal retirement |
| f. Benefit Authorization | Benefits are established in accordance with Title 29 of the Oklahoma Statutes, Chapter 1, Article 3, Section 3-306 |
| g. Form of Benefit Payments | Lifetime benefit |

D. Employees Covered by Benefit Terms

	OFPRS	OLERS	OPERS	URSJJ	OPPRS	TRS	WCRP
Active Employees	12,365	1,300	41,806	269	4,679	90,167	242
Deferred Vested Former Employees	1,556	44	5,946	36	820	11,066	23
Retirees or Retiree Beneficiaries	10,764	1,362	33,749	260	3,550	60,680	202
Total	24,685	2,706	81,501	565	9,049	161,913	467

E. Contribution Requirements

Oklahoma Firefighters Pension and Retirement System: The authority to set and amend contribution rates is established by ordinance for OFPRS defined benefit plan in accordance with Title 11 of the Oklahoma Statutes, Section 49-100.6. The contribution rates for the current fiscal year have been made in accordance with Oklahoma statute. The rate is 9% for employees of their covered salary and 14% for employers of covered payroll as of July 1, 2016, and July 1, 2015. Municipalities with revenues in excess of \$25,000 contribute \$60 per year for each volunteer firefighter. Prior to November 1, 2013, the rate was 8% for employees, 13% for employers, and municipalities contributed \$60 per year for each volunteer firefighter. The state contributes a portion of the insurance premium tax collected through its taxing authority. Currently, this contribution is 36% of insurance premium tax collected by the state. Prior to November 1, 2013, the contribution rate was 34%. For the year ended June 30, 2016, OFPRS recognized \$156,036,000 in contributions to the plan based on covered payroll of \$273,621,000.

Oklahoma Law Enforcement Retirement System: The authority to set and amend contribution rates is established by ordinance for OLERS defined benefit plan in accordance with Title 47 of the Oklahoma Statutes, Chapter 2, Article 3, Section 2-303.1. The contribution rates for the current fiscal year have been made in accordance with Oklahoma statute. The rate is 8% for employees of their covered salary and 11% for employers of covered payroll as of July 1, 2016, and July 1, 2015. The state contributes a portion of driver's license taxes, motor vehicle inspection fees, and insurance premium tax collected through its taxing authority. Currently this contribution is 1.2% of driver's license taxes, and 5% of insurance premium tax. For the year ended June 30, 2016, OLERS recognized \$40,066,000 in contributions to the plan based on covered payroll of \$88,683,000

Oklahoma Public Employees Retirement System: The authority to set and amend contribution rates is established by ordinance for OPERS defined benefit plan in accordance with Title 74 of the Oklahoma Statutes, Chapter 29, Section 908. The contribution rates for the current fiscal year have been made in accordance with Oklahoma statute. The rate for state employees is 3.5% of their covered salary and 16.5% of covered payroll for state agencies as of July 1, 2016, and July 1, 2015. Contributions for participating county and local agencies total 20% for employees and employers as of July 1, 2016, and July 1, 2015. For the year ended June 30, 2016, OPERS recognized \$370,050,000 in contributions to the plan based on covered payroll of \$1,808,973,000.

Uniform Retirement System for Judges and Justices: The authority to set and amend contribution rates is established by ordinance for URSJJ defined benefit plan in accordance with Title 20 of the Oklahoma Statutes, Chapter 16, Section 1108. The contribution rates for the current fiscal year have been made in accordance with Oklahoma statute. The rate for employees is 8% of their covered salary and 17.5% of covered payroll for employers as of July 1, 2016. For the year ended July 1, 2015 the rate for employees is 8% of covered salary and 16% of covered payroll for employers. For the year ended June 30, 2016, URSJJ recognized \$8,498,000 in contributions to the plan based on covered payroll of \$34,537,000.

Oklahoma Police Pension and Retirement System: The authority to set and amend contribution rates is established by ordinance for OPPRS defined benefit plan in accordance with Title 11 of the Oklahoma Statutes, Chapter 1, Article 50, Section 50-106. The contribution rates for the current fiscal year have been made in accordance with Oklahoma statute. The rate is 8% for employees of their covered salary and 13% for employers of covered payroll as of July 1, 2016, and July 1, 2015. The state contributes a portion of the insurance premium tax collected through its taxing authority. Currently, this contribution is 14% of insurance premium tax collected by the state. For the year ended June 30, 2016, OPPRS recognized \$98,235,000 in contributions to the plan based on covered payroll of \$296,408,000.

Teachers Retirement System: The authority to set and amend contribution rates is established by ordinance for TRS defined benefit plan in accordance with Title 70 of the Oklahoma Statutes, Chapter 1, Article 17, Section 17-106. The contribution rates for the current fiscal year have been made in accordance with Oklahoma statute. The rate is 7% for employees of their covered salary and 9.5% for employer entities other than comprehensive and four year universities as

of July 1, 2016, and July 1, 2015. The rate for comprehensive and four year universities is 8.55% as of July 1, 2016, and July 1, 2015. The state contributes 5% of revenues from sales taxes, use taxes, corporate and individual income taxes. The System receives 1% of the cigarette taxes collected by the State and 5% net lottery proceeds. For the year ended June 30, 2016, TRS recognized \$1,019,884,000 in contributions to the plan based on covered payroll of \$4,206,558,000.

Wildlife Conservation Retirement Plan: The authority to set and amend contribution rates is established by ordinance for WCRP defined benefit plan in accordance with Title 29 of the Oklahoma Statutes, Chapter 1, Article 3, Section 3-306. The contribution rates for the current fiscal year have been made in accordance with Oklahoma statute. The rate is 5% for employees of their covered salary. For the year ended June 30, 2016, WCRP recognized \$4,363,000 in contributions to the plan based on covered payroll of \$13,388,000.

F. Actuarial Assumptions

Oklahoma Firefighters Pension and Retirement System

Date of Last Actuarial Valuation	July 1, 2016
a. Actuarial cost method	Entry age normal
b. Rate of return on investments and discount rate	7.5%
c. Projected salary increase	3.5% - 9.0%
d. Post retirement cost-of-living increase	Half of the dollar amount of a 3% assumed increase in base pay for firefighters with 20 years of service as of May 26, 1983; No COLA assumed for members not eligible for this increase
e. Inflation Rate	3%
f. Mortality table	Active employees (pre and post retirement): RP-2000 Blue Collar Healthy Combined with generational mortality improvement using Scale AA; Disabled pensioners: RP-2000 Blue Collar Healthy Combined
g. Percent of married employees	85% Males; 85% Females
h. Spouse age difference	Males three years older than females
i. Turnover	Varies from 0.4% to 3.5%
j. Date of last experience study	June 30, 2012, for the period from July 1, 2007, to June 30, 2012

Oklahoma Law Enforcement Retirement System

Date of Last Actuarial Valuation	July 1, 2016
a. Actuarial cost method	Entry age normal
b. Rate of return on investments and discount rate	7.5%
c. Projected salary increase	3.75% - 7.8%
d. Post retirement cost-of-living increase	3% for eligible members
e. Inflation Rate	3%
f. Mortality table	Active employees (pre and post retirement): RP-2000 Blue Collar Healthy Combined with Generation Projection; Disabled pensioners: RP-2000 Blue Collar Table
g. Percent of married employees	85% Males; 85% Females
h. Spouse age difference	Males three years older than females
i. Turnover	Varies from 1% to 15%
j. Date of last experience study	July 2007 to June 2011

Oklahoma Public Employees Retirement System

Date of Last Actuarial Valuation	July 1, 2016
a. Actuarial cost method	Entry age normal
b. Rate of return on investments and discount rate	7.25%

c. Projected salary increase	4.5% - 8.4%
d. Post retirement cost-of-living increase	None
e. Inflation Rate	3%
f. Mortality table	Active employees (pre and post retirement): RP-2000 Healthy Combined projected to 2010 using Scale AA; Disabled pensioners: RP-2000 Healthy Combined projected to 2010 using Scale AA set forward 15 years for disabled experience
g. Percent of married employees	85% Males; 85% Females
h. Spouse age difference	Males four years older than females
i. Turnover	Varies from 1%-22%
j. Date of last experience study	May 9, 2014, for the three-year period from July 1, 2010, to June 30, 2013

Uniform Retirement System for Justices and Judges

Date of Last Actuarial Valuation

July 1, 2016

a. Actuarial cost method	Entry age normal
b. Rate of return on investments and discount rate	7.25%
c. Projected salary increase	5.0%
d. Post retirement cost-of-living increase	None
e. Inflation Rate	3%
f. Mortality table	Active employees (pre and post retirement): RP-2000 Healthy Combined projected to 2010 using Scale AA setback 1 year; Disabled pensioners: RP-2000 Healthy Combined Projected to 2010 using Scale AA set forward 14 years for disabled experience
g. Percent of married employees	85% Males; 85% Females
h. Spouse age difference	Males four years older than females
i. Turnover	2%
j. Date of last experience study	May 9, 2014, for the three-year period from July 1, 2010, to June 30, 2013

Oklahoma Police Pension and Retirement System

Date of Last Actuarial Valuation

July 1, 2016

a. Actuarial cost method	Entry age normal
b. Rate of return on investments and discount rate	7.5%
c. Projected salary increase	4.5% to 17.0%
d. Post retirement cost-of-living increase	Officers eligible to receive COLA according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary of 3%
e. Inflation Rate	3%
f. Mortality table	Active employees pre-retirement: RP-2000 Blue Collar Healthy Combined fully generational using Scale AA with age set back 4 years; Post-retirement: RP-2000 Blue Collar Healthy Combined fully generational using Scale AA; Disabled pensioners: RP-2000 Blue Collar Healthy Combined with age set forward 4 years
g. Percent of married employees	85% Males; 85% Females
h. Spouse age difference	Males three years older than females
i. Turnover	Varies from 1% to 20%
j. Date of last experience study	Five-year period from July 1, 2007, to June 30, 2012

Teachers Retirement System

Date of Last Actuarial Valuation

June 30, 2016

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|----|---|---|
| a. | Actuarial cost method | Entry age normal |
| b. | Rate of return on investments and discount rate | 7.5% |
| c. | Projected salary increase | 3.25% plus 1% productivity increase, plus step-rate promotional increases for members with less than 25 years of service |
| d. | Post retirement cost-of-living increase | None |
| e. | Inflation Rate | 2.5% |
| f. | Mortality table | Active employees - pre-retirement: RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, with male rates multiplied by 60% and females rates multiplied by 50%; Post-retirement: RP-2000 Combined Healthy Mortality table for males with White Collar Adjustments; Generational mortality improvements in accordance with Scale BB from the table's base year of 2000; For females the GRS Southwest Region Teacher Mortality Table, scaled at 105%; Generational mortality improvements in accordance with Scale BB from the table's base year of 2012; Disabled pensioners: RP-2000 Mortality tables with male rates multiplied by 75%, no set back, and female rates multiplied by 100%, no set back |
| g. | Percent of married employees | 80% Males; 80% Females |
| h. | Spouse age difference | Males three years older than females |
| i. | Turnover | Varies from 1.5% to 23% |
| j. | Date of last experience study | May 2015, for a five-year period ending June 30, 2014 |

Wildlife Conservation Retirement Plan

Date of Last Actuarial Valuation

July 1, 2016

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| a. | Actuarial cost method | Entry age normal |
| b. | Rate of return on investments and discount rate | 7% |
| c. | Projected salary increase | 3% to 8% |
| d. | Post retirement cost-of-living increase | none |
| e. | Inflation Rate | 3% |
| f. | Mortality table | Active Members: RP-2014 Employee Mortality Table with Blue Collar Adjustment projected to 2030 with Scale BB; Retired Members: RP-2014 Mortality Table for Healthy Annuitants with Blue Collar Adjustment projected to 2030 with Scale BB; Disabled members: RP-2014 Mortality Table for Disabled Annuitants, projected to 2030 with Scale BB |
| g. | Percent of married employees | 85% Males; 85% Females |
| h. | Spouse age difference | Males three years older than females |
| i. | Turnover | Varies from 1% to 8% |
| j. | Date of last experience study | July 1, 2010, to June 30, 2015 |

G. Discount Rate

Oklahoma Firefighters Pension and Retirement System

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates. Projected cash flows also assume insurance premium taxes will be contributed as determined by state statutes.

Based on these assumptions, the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments. Therefore, the discount rate used is 7.5% which is the long-term expected rate of return on plan investments.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	5.18%
Equity	62%	9.79%
Alternative Investments	18%	6.74%
Total	100%	

Oklahoma Law Enforcement Retirement System

The projection of cash flows used to determine the discount rate assumed that plan contributions from members, state agencies, insurance premium taxes and other state sources will be made at the current contribution rates as set out in state statute.

Based on those assumptions, the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments. Therefore, the discount rate used is 7.5% which is the long-term expected rate of return on plan investments.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	30%	3.09%
Equity	60%	8.76%
Alternative Investments	10%	4.87%
Total	100%	

Oklahoma Public Employees Retirement System

The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute.

Based on those assumptions, the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments. Therefore, the discount rate used is 7.25% which is the long-term expected rate of return on plan investments.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	32%	0.97%
Equity	44%	5.45%
Alternative Investments	24%	6.00%
Total	100%	

Uniform Retirement System for Justices and Judges

The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute.

Based on those assumptions, the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments. Therefore, the discount rate used is 7.25% which is the long-term expected rate of return on plan investments.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	32%	0.97%
Equity	44%	5.45%
Alternative Investments	24%	6.00%
Total	100%	

Oklahoma Police Pension and Retirement System

The projection of cash flows used to determine the discount rate assumed that plan contributions from members, state agencies, insurance premium taxes and other state sources will be made at the contractually required rates. Projected cash flows also assume insurance premium taxes will be contributed as determined by state statutes.

Based on these assumptions, the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments. Therefore, the discount rate used is 7.5% which is the long-term expected rate of return on plan investments.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	25%	3.27%
Equity	60%	7.36%
Alternative Investments	15%	3.70%
Total	100%	

Teachers Retirement System

The projection of cash flows used to determine the single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payroll. The projection of cash flows also assumed that the state's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Based on these assumptions, the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments. Therefore, the discount rate used is 7.5% which is the long-term expected rate of return on plan investments.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	24%	3.25%
Equity	45%	6.72%
International Equity	17%	6.60%
Alternative Investments	14%	6.10%
Total	100%	

Wildlife Conservation Retirement Plan

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the department will be at least 100% of the department's required contribution.

Based on these assumptions, the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments. Therefore, the discount rate used is 7% which is the long-term expected rate of return on plan investments.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	40%	0.77%
Equity	50%	8.70%
Alternative Investments	10%	2.34%
Total	100%	

H. Changes in Net Pension Liability

The total pension liability for the various pension systems were determined based on actuarial valuations performed as of July 1, 2016, which is also the measurement date. There were no changes in assumptions or changes between the measurement date of July 1, 2016, and the state's report ending date of June 30, 2017, that would have had a significant impact on the net pension liability. The following tables report the components of changes in net pension liability:

Oklahoma Law Enforcement Retirement System

Schedule of Changes in Net Pension Liability

Increases (Decreases)

	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) - (b)
Balance Beginning of Year	\$ 998,863,000	\$ 895,141,000	\$ 103,722,000
Changes for the Year:			
Service Cost	23,126,000	-	23,126,000
Interest	72,766,000	-	72,766,000
Difference between expected and actual return	6,138,000	-	6,138,000
Contributions-Employer	-	10,219,000	(10,219,000)
Contributions-State of Oklahoma a non-employer contributing entity	-	22,981,000	(22,981,000)
Contributions-Employee	-	6,866,000	(6,866,000)
Net Investment Income	-	(22,244,000)	22,244,000
Benefit payments, including refunds	(58,348,000)	(58,348,000)	-
Administrative expense	-	(1,031,000)	1,031,000
Net Changes	43,682,000	(41,557,000)	85,239,000
Balances at June 30, 2016	<u>\$ 1,042,545,000</u>	<u>\$ 853,584,000</u>	<u>\$ 188,961,000</u>

Uniform Retirement System for Justices and Judges

Schedule of Changes in Net Pension Liability Increases (Decreases)

	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance Beginning of Year	\$ 266,400,000	\$ 301,296,000	\$ (34,896,000)
Changes for the Year:			
Service Cost	9,690,000	-	9,690,000
Interest	19,341,000	-	19,341,000
Difference between expected and actual return	(7,480,000)	-	(7,480,000)
Changes in Assumptions	5,843,000	-	5,843,000
Contributions-Employer	-	5,832,000	(5,832,000)
Contributions-Employee	-	2,666,000	(2,666,000)
Net Investment Income	-	1,442,000	(1,442,000)
Benefit payments, including refunds	(17,360,000)	(17,360,000)	-
Administrative expense	-	(149,000)	149,000
Net Changes	10,034,000	(7,569,000)	17,603,000
Balances at June 30, 2016	<u>\$ 276,434,000</u>	<u>\$ 293,727,000</u>	<u>\$ (17,293,000)</u>

Wildlife Conservation Retirement Plan

Schedule of Changes in Net Pension Liability Increases (Decreases)

	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) - (b)
Balance Beginning of Year	\$ 112,826,000	\$ 99,931,000	\$ 12,895,000
Changes for the Year:			
Service Cost	1,848,000	-	1,848,000
Interest	7,831,000	-	7,831,000
Difference between expected and actual return	456,000	-	456,000
Changes in Benefit Terms	1,156,000	-	1,156,000
Change in Assumptions	195,000	-	195,000
Contributions-Employer	-	3,700,000	(3,700,000)
Contributions-Employee	-	663,000	(663,000)
Net Investment Income	-	492,000	(492,000)
Benefit payments, including refunds	(5,593,000)	(5,593,000)	-
Administrative expense	-	(55,000)	55,000
Net Changes	5,893,000	(793,000)	6,686,000
Balances at June 30, 2016	<u>\$ 118,719,000</u>	<u>\$ 99,138,000</u>	<u>\$ 19,581,000</u>

I. Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate, as well as what net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1- percentage-point higher than the current rate:

Oklahoma Law Enforcement Retirement System

	1% Decrease in Discount rate (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Net Pension Liability (Asset)	\$ 326,013,000	\$ 188,960,000	\$ 76,598,000

Oklahoma Public Employees Retirement System

	1% Decrease in Discount rate (6.25%)	Current Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Net Pension Liability (Asset)	\$ 1,624,855,000	\$ 793,756,000	\$ 88,223,000

Uniform Retirement System for Justices and Judges

	1% Decrease in Discount rate (6.25%)	Current Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Net Pension Liability (Asset)	\$ 8,197,000	\$ (17,293,000)	\$ (39,481,000)

Oklahoma Police Pension and Retirement System

	1% Decrease in Discount rate (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Net Pension Liability (Asset)	\$ 1,170,000	\$ 446,000	\$ (165,000)

Teachers Retirement System

	1% Decrease in Discount rate (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Net Pension Liability (Asset)	\$ 2,944,171,000	\$ 2,248,905,000	\$ 1,666,981,000

Wildlife Conservation Retirement Plan

	1% Decrease in Discount rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
Net Pension Liability (Asset)	\$ 33,338,000	\$ 19,581,000	\$ 7,892,000

J. Deferred Outflows/Inflows of Resources

Reported deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018.

Oklahoma Law Enforcement Retirement System

At June 30, 2016, OLERS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 38,016,000	\$ 4,637,000
Net difference between projected and actual plan investment earnings	89,217,000	25,574,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,327,000	1,327,000
Contributions made since measurement date	9,262,000	-
	<u>\$ 137,822,000</u>	<u>\$ 31,538,000</u>

Oklahoma Public Employees Retirement System

At June 30, 2016, OPERS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ 34,881,000
Net difference between projected and actual plan investment earnings	577,505,000	245,377,000
Changes in Assumptions	126,898,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	355,000
Contributions made since measurement date	215,601,000	-
	<u>\$ 920,004,000</u>	<u>\$ 280,613,000</u>

Uniform Retirement State Judges and Justices

At June 30, 2016, URSJJ reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	10,187,000
Net difference between projected and actual plan investment earnings	25,137,000	10,705,000
Changes in Assumptions	4,432,000	293,000
Contributions made since measurement date	6,013,000	-
	<u>\$ 35,582,000</u>	<u>\$ 21,185,000</u>

Oklahoma Police Pension and Retirement System

At June 30, 2016, OPPRS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 1,000	\$ 50,000
Net difference between projected and actual plan investment earnings	601,000	173,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	50,000	-
Contributions made since measurement date	113,000	-
	<u>\$ 765,000</u>	<u>\$ 223,000</u>

Teachers Retirement System

At June 30, 2016, TRS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ 52,001,000
Net difference between projected and actual plan investment earnings	261,476,000	-
Changes in Assumptions	269,715,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	93,568,000	-
Contributions made since measurement date	106,483,000	-
	<u>\$ 731,242,000</u>	<u>\$ 52,001,000</u>

Wildlife Conservation Retirement Plan

At June 30, 2016, WCRP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 534,000	\$ 240,000
Net difference between projected and actual plan investment earnings	6,747,000	2,592,000
Changes in Assumptions	163,000	-
Contributions made since measurement date	4,780,000	-
	<u>\$ 12,224,000</u>	<u>\$ 2,832,000</u>

K. Amortization of Pension Deferrals

Amounts reported as deferred outflows of resources (excluding deferred outflows of resources related to contributions made subsequent to the measurement date) and deferred inflows of resources will be recognized in pension expense as follows:

	For year ended June 30, 2016					
	Law Enforcement Retirement System	Public Employees Retirement System	Retirement System Judges and Justices	Police Pension and Retirement System	Teachers Retirement System	Wildlife Conservation
2017	\$ 19,483,000	\$ 78,059,000	\$ (1,936,000)	\$ 62,000	\$ 76,898,000	\$ 621,000
2018	19,482,000	82,602,000	(218,000)	75,000	98,456,000	618,000
2019	32,765,000	163,261,000	6,429,000	163,000	185,819,000	1,915,000
2020	24,625,000	99,868,000	4,109,000	119,000	150,981,000	1,355,000
2021	667,000	-	-	10,000	53,267,000	100,000
2022	-	-	-	-	7,337,000	3,000
Total	<u>97,022,000</u>	<u>423,790,000</u>	<u>8,384,000</u>	<u>429,000</u>	<u>572,758,000</u>	<u>4,612,000</u>

- L. Payables to the Pension Plans** – The amounts presented below represent the amount payable from the State of Oklahoma to the pension plans at June 30, 2017. This includes both contributions payable and dedicated taxes that had yet to be paid.

	Payable at Fiscal Year End
Firefighters Pension and Retirement Plan	\$ 19,331,000
Law Enforcement Retirement System	4,438,000
Public Employees Retirement System	9,267,000
Retirement System Judges and Justices	437,000
Police Pension and Retirement System	7,523,000
Teachers Retirement System	38,287,000
Total	<u>\$ 79,283,000</u>

- M. State General Fund Portion** -- The amounts presented below represent Net Pension Liability, Deferred Inflows, Deferred Outflows, and Pension Expense related to the various pension systems recorded to Governmental Activities on the Government-Wide Statement of Net Position. These amounts were determined based on actuarial valuations performed as of July 1, 2016, which is also the measurement date.

	General Fund Portion	Pension Assets	Pension Liabilities	Net Pension Liability (Asset)	Deferred Inflows	Deferred Outflows	Pension Expense
Law Enforcement Retirement System	93.179%	\$ 795,357,000	\$ 971,427,000	\$ 176,070,000	\$ 29,467,000	\$ 128,420,000	\$ 40,174,000
Public Employees Retirement System	75.647%	6,381,265,000	7,131,858,000	750,593,000	265,018,000	871,906,000	151,700,000
Judges and Justices Retirement System	100.000%	293,727,000	276,434,000	(17,293,000)	21,186,000	35,582,000	2,310,000
Police Pension and Retirement System	0.291%	6,407,000	6,853,000	446,000	223,000	765,000	160,000
Teachers Retirement System	1.144%	158,034,000	253,891,000	95,857,000	2,217,000	44,289,000	10,183,000
Wildlife Commission Retirement Plan	100.000%	99,138,000	118,720,000	19,582,000	2,832,000	12,224,000	3,895,000
Total		<u>\$ 7,733,928,000</u>	<u>\$ 8,759,183,000</u>	<u>\$ 1,025,255,000</u>	<u>\$ 320,943,000</u>	<u>\$ 1,093,186,000</u>	<u>\$ 208,422,000</u>

- N. Changes Subsequent to Measurement Date** – The following changes have been made to pension plan policy since the measurement date. These changes could potentially change the calculation of Net Pension Liability.

- Oklahoma Firefighters Pension and Retirement System:

House Bill 1705 modified certain provisions of eligible rollover distributions, provided treatment of certain mandatory distributions occurring on or after a certain date, and defined certain terms. Approved April 25, 2017.

- Oklahoma Law Enforcement Retirement System:

House Bill 1706 updates the rules for distributions to include rollover contributions for SIMPLE IRA's that are structured and timed in accordance with the SIMPLE IRA regulations. Approved April 26, 2017.

- Public Employees Retirement System:

Senate Bill 242 adds the Oklahoma State Treasurer, or his/her designee, to the OPERS System Board of Trustees. Approved May 19, 2017.

House Bill 1704 clarified certain System provisions for elected officials and for public safety officers under the Grand River Dam Authority (GRDA). Approved April 25, 2017.

- Judges and Justices Retirement System:

During 2017, the State Legislature enacted a System provision during the session ended in May 2017 affecting URSJJ retirees returning to work. Amended language states that judges who return to work for a URSJJ employer must participate in URSJJ by paying retirement contributions. If the judge returns to work for at least 36 consecutive months of full-time service credit, he/she would be eligible to retire a second time and have his/her benefit recalculated. If the judge returns to work for less than the 36 consecutive months of full-time service credit, he/she would not be able to retire a second time but would have his/her benefits reinstated upon leaving office and receive service credit for the additional months.

- Oklahoma Police Pension and Retirement System:

House Bill 1119 updates the rules for distributions to include rollover contributions for SIMPLE IRAs that are structured and timed in accordance with the IRS's SIMPLE IRA regulations. Authorizes the Board to obtain records from the Council on Law Enforcement Education and Training to verify any person's eligibility for membership in the System. Authorizes the Board to audit participating member municipalities to ensure compliance with the System's statutes and rules, including, but not limited to, compensation used to determine a member's paid base salary. Approved May 1, 2017.

- Teachers Retirement System:

House Bill 1162 changed the number of years to “vest” and become eligible for a TRS pension from (5) to seven (7) for members who become a member after November 1, 2017. Approved April 24, 2017.

Senate Bill 242 adds the Oklahoma State Treasurer, or his/her designee, to the Teachers Retirement System Board of Trustees. Approved May 19, 2017.

O. Defined Contribution Plan

The Oklahoma Department of Wildlife Conservation’s (ODWC) defined contribution plan (the “DC Plan”) is a single-employer plan that covers the employees of the ODWC with a hire date of July 1, 2010, or later. The DC Plan provides retirement benefits to plan members and their beneficiaries. At June 30, 2017, there were 109 plan members. Plan members are required to contribute 5% of compensation annually. The ODWC’s annual contribution is based on the employee’s number of completed years of credited service with the ODWC, defined as follows:

<u>Years of Credited Service</u>	<u>Compensation Contributed by Employer</u>
Less than 5	6%
At least 5, but less than 10	8%
At least 10, but less than 15	10%
At least 15 or more	12%

Employees vest in 100% of ODWC’s contributions after 5 years of credited service.

For the year ended June 30, 2017, the ODWC contributed \$246,000, and eligible employees contributed \$197,000 to the DC Plan.

House Bill 2630 and Senate Bill 2120 directed the Oklahoma Public Employees Retirement System (OPERS) to establish a defined contribution retirement system for members first employed by a participating employer of the system on or after November 1, 2016, including statewide elected officials and legislators. The provisions of this bill are not applicable to hazardous duty members, district attorneys, assistant district attorneys or other employees of the district attorney’s office who will continue to participate in the defined benefit plan. Also excluded are employees of a county, county elected officials, county hospital, city or town, conservation district, circuit engineering district, and any public or private trust in which a county, city or town participates and is the primary beneficiary.

This new defined contribution plan was created and implemented during the year ended June 30, 2016. Under this new plan, participating employees contribute a minimum of 4.5% of their compensation. Participating employers match employee contributions up to 7%. In addition to the matching contributions, participating employers are required to remit to OPERS the difference between the matching contributions for defined contribution plan members and the amount the participating employer would have contributed for a defined benefit plan member.

At June 30, 2017, there were 4,397 plan members. For the year ended June 30, 2017, OPERS contributed \$5,760,000 and eligible employees contributed \$4,022,000 to the DC Plan.

Note 15. Other Postemployment Benefits (OPEB)

1. General Description of the Other Postemployment Benefits

The Employees Group Insurance Division (EGID), a division of the Office of Management and Enterprise Services (OMES) manages a legal trust which provides group health, life, dental and disability benefits for active employees and retirees (should they so elect) of state agencies, school districts and other governmental units. EGID, as a multi-line insurance provider, receives OPEB payments on behalf of retiree's from several of the state's pension plans and the Department of Wildlife Conservation.

The Department of Wildlife Conservation, part of the Primary Government, at its expense, provides a health insurance allowance (OPEB) to retirees for the payment of health insurance premiums at retirement where the retiree elects continued coverage through EGID. This allowance is reduced when the retiree is eligible for Medicare. The coverage amount is established by the Department on an annual basis and can be discontinued at the Board's discretion.

As mandated by statute, several of the state's pension plans provide an OPEB benefit to retirees should a retiree make such an election at retirement to continue health coverage through the state's provider, EGID. This contribution is for a fixed amount that varies slightly from pension to pension. This benefit is included in the pension systems' actuarial valuations to determine both funded and unfunded liabilities, but is not considered material to each respective pension as a whole.

2. Funding Policy

EGID operates as an insurance company and as an access provider to other health and dental plans, primarily board approved health maintenance organizations (HMOs) and dental maintenance organizations (DMOs). EGID receives monthly premium contributions directly from retirees except for the nominal amount received from the participating pension plans and the Department of Wildlife Conservation. Employers make no contribution on a retiree's behalf, and have no liability to EGID once an employee enters retirement.

The state has one department of the Primary Government that makes payments to EGID on behalf of retirees, the Department of Wildlife Conservation. The Department provides \$150 per month as established by its board toward health insurance coverage should retirees so elect at retirement. These contributions are made on a pay-as-you go basis, and no separate account has been established to pre-fund these costs. For the fiscal years 2017, 2016, and 2015, the department paid into EGID as follows, representing 100% of the Department's board mandated contributions to EGID:

	<u>FY 2017 Contributions</u>	<u>FY 2016 Contributions</u>	<u>FY 2015 Contributions</u>
Primary Government			
Dept. of Wildlife Conservation	<u>\$ 225,000</u>	<u>\$ 212,000</u>	<u>\$ 213,000</u>

The state has two cost-sharing multi-employer retirement systems that make payments to EGID on behalf of retirees should a retiree so elect. These plans are the Oklahoma Public Employees Retirement System (OPERS) and the Teachers Retirement System of Oklahoma (TRS). The state also has two single employer retirement systems that make payments to EGID on behalf of retirees, the Uniform Retirement System for Judges and Justices (URSJJ) and the Oklahoma Law Enforcement Retirement System (OLERS). As mandated by statute, these plans pay between \$100 and \$105 per month to EGID on behalf of retirees if so elected. For fiscal years 2017, 2016, and 2015, the retirement systems paid into EGID as follows, representing 100% of the state's legislatively required contributions to EGID:

	FY 2017 Contributions	FY 2016 Contributions	FY 2015 Contributions
Fiduciary Component Units			
OPERS (a)	\$ 18,999,000	\$ 18,799,000	\$ 18,723,000
TRS (a)	30,309,000	30,522,000	30,363,000
URSJJ (b)	179,000	175,000	168,000
OLERS (b)	849,000	847,000	833,000
	<u>\$ 50,336,000</u>	<u>\$ 50,343,000</u>	<u>\$ 50,087,000</u>

(a) - Cost Sharing Multi-Employer Retirement Plan

(b) - Single Employer Retirement Plan

Component Units

Sixteen of the institutions included in the Higher Education Component Unit sponsor single-employer OPEB plans as designated by each institution's governing Board of Regents. These independent trust plans primarily provide supplemental health, dental, and life insurance benefits to participating retirees. Eligibility requirements and benefits differ significantly between the participating higher education institutions. Current year benefit expenditures, funded primarily on a pay-as-you-go basis, totaled approximately \$13,453,000 in fiscal year 2017, for sixteen participating institutions. Complete disclosure for each higher education institution can be obtained from the Oklahoma State Regents for Higher Education, 655 Research Parkway, Suite 200, Oklahoma City, OK 73104.

3. Annual Pension Cost and Net OPEB Obligation

The Department of Wildlife Conservation's annual OPEB cost is calculated based on its annual required contribution (ARC), an actuarially determined amount in accordance with GAAP. It represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability over a period of 30 years. The annual OPEB cost and net OPEB obligation for the current year is as follows (expressed in thousands):

	Wildlife OPEB
Normal cost	\$ 89
Amortization of actuarial accrued liability (AAL)	296
Annual required contribution (ARC)	385
Interest on net OPEB obligation	31
ARC adjustment	(44)
Annual OPEB cost	372
Actual amount of net employer disbursements	(225)
Increase in net OPEB obligation	147
Net OPEB obligation, beginning of year	774
Net OPEB obligation, end of year	<u>\$ 921</u>
Actuarial Assumptions:	
Investment rate of return	4.0%
Inflation rate	0.0%
Annual healthcare cost	5.0%
Actuarial cost method	Entry age normal
Amortization method	30 years, level dollar, open period

The Department's annual OPEB cost, the percentage of annual OPEB cost contributed to the substantive OPEB plan, and the net OPEB obligation were as follows:

Three-Year Trend Information
Wildlife Conservation OPEB Substantive Plan
(expressed in thousands)

Fiscal Year Ending	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 372	61%	\$ 921
6/30/2016	345	61%	774
6/30/2015	337	63%	640

The following Required Supplementary Information for the Department of Wildlife Conservation was determined as part of the actuarial valuation for the dates indicated.

Schedule of Funding Progress
Wildlife Conservation OPEB Substantive Plan
(unaudited)
(expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2017	\$ -	\$ 5,220	\$ 5,220	0.0%	\$ 17,277	30.2%
7/1/2016	-	5,215	5,215	0.0%	16,937	30.8%
7/1/2015	-	4,817	4,817	0.0%	16,620	29.0%

The Department's OPEB is not funded and there are no OPEB plan assets as it is a substantive plan. As of July 1, 2017, the most recent actuarial valuation date, the AAL for benefits was approximately \$5.2 million and the actuarial value of assets was zero, resulting in an UAAL of \$5.2 million.

The actuarial valuation for this substantive plan (the plan as currently understood by the employer and the plan members), involves estimates of the value of reported amounts and assumptions about the probability of events occurring far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Projections include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members at that point. The actuarial methods used are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with a long-term perspective.

Note 16. On-Behalf Payments

The Teachers Retirement System (TRS) of Oklahoma receives 5% of the state's sales, use, corporate and individual income taxes collected as dedicated tax. Senate Bill 1376, which became law in July 2002, provides that the percentage of the state's collected dedicated taxes allocated to the TRS increased from 4.5% to 5.0% on July 1, 2007, and thereafter. The System receives 1% of the cigarette taxes collected by the state and receives 5% of the net lottery proceeds collected by the state. The System received approximately \$302,000,000 from the state for the year ended June 30, 2017.

The Firefighters Pension and Retirement System (OFPRS) of Oklahoma received 36% of the state's insurance premium tax revenue. OFPRS received approximately \$88,000,000 from the state for the year ended June 30, 2017. Of the same insurance premium tax revenue, the Police Pension and Retirement System (OPPRS) of Oklahoma and Law Enforcement Retirement System (OLERS) received 14% and 5% respectively. OPPRS and OLERS received approximately \$34,000,000 and \$12,000,000 from the state for the year ended June 30, 2017, respectively.

Note 17. Commitments

Primary Government

For the year ended June 30, 2017, the General Fund had encumbrances of \$618,209,000 within the restricted and committed fund balances of the governmental funds.

The Department of Transportation had contractual commitments at June 30, 2017, of approximately \$1,010,765,000 for the construction of various highway projects. Future appropriations will fund these commitments as work is performed.

The Department of Human Services (DHS) maintains a construction unit which engages in capital improvements of state buildings. At year end, DHS had long-term projects totaling \$29,936,000 for the General Fund.

The Oklahoma Capital Improvement Authority has issued bonds in the aggregate principal amount of \$120,000,000 for the Office of Management and Enterprise Services to provide funding for repairs, refurbishments and improvements to the State Capitol Building. This bond issuance is the first series of obligations sold under two authorizations totaling \$245,000,000 for the Capitol Repair Project.

Component Units

The University of Oklahoma had outstanding commitments under construction contracts totaling \$82,410,000 at June 30, 2017.

Oklahoma State University had outstanding commitments under construction contracts of approximately \$90,914,000 at June 30, 2017.

The Oklahoma Turnpike Authority (OTA) had commitments outstanding at December 31, 2016, relating to equipment orders and supplies of approximately \$12,501,000. At December 31, 2016, OTA had commitments outstanding relating to construction and maintenance contracts of approximately \$36,501,000.

The Oklahoma Municipal Power Authority (OMPA) purchased approximately \$13,485,000 of power pursuant to several long-term purchase agreements during 2016. OMPA is obligated to purchase, at a minimum, approximately \$13,619,000 of power in 2017.

The Grand River Dam Authority (Authority) makes and receives commitments for purchases of coal and other materials. The Authority had contractual commitments at December 31, 2016, for long-term coal and freight purchases under contracts through 2025 with estimated minimum obligations for the next fiscal year ending December 31, 2017, of \$4,154,000, and total obligations of \$384,398,000 through 2025.

Note 18. Litigation and Contingencies

The state and its component units are parties to numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the state for property damage and personal injury, alleged breaches of contract, condemnation proceedings, and other alleged violations of state and federal laws. Certain claims have been adjudicated against the state, but remained unpaid as of June 30, 2017.

The state receives significant financial assistance from the Federal Government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by federal agencies. Any disallowance as a result of these audits could become a liability of the state.

Primary Government

Through the normal course of operations, there are many legal cases which involve the state as a party. Most of these cases are currently deemed to have a remote chance of loss or will result in a gain to the state. The assessment of several cases indicates there is the reasonably possible or probable chance of a loss occurring to the state. Current estimates for these losses range from \$600,000 to \$27,674,000.

The Department of Transportation (DOT) has incurred significant expenditures on construction projects that have exceeded the amounts approved by the federal grantor. These project expenditures are held in suspense until approved by the federal grantor and subsequently reimbursed. Based on prior years' experience, the reimbursement of expenditures is highly probable. At June 30, 2017, DOT has project expenditures totaling \$261,000 that will be reimbursed pending approval of the Federal Government.

Component Units

The Oklahoma Capital Investment Board (OCIB), as a public trust of the State of Oklahoma, has authority to transfer tax credits to public entities. Tax credits can be transferred by OCIB in conjunction with a legitimate call on an OCIB guarantee. As of June 30, 2017, OCIB had a maximum commitment line of credit of \$20,000,000. As of June 30, 2017, the line of credit had an outstanding balance of \$14,814,000. All of the outstanding balance is classified as long-term debt. In addition to the debt, OCIB reported, as of June 30, 2017, a net position deficit of \$2,861,000.

The credits and OCIB's right to transfer the credits expire if not utilized by June 30, 2020. As of June 30, 2017, \$30,915,000 of tax credits had been transferred. Four entities currently have signed agreements to purchase up to an aggregate of \$8,000,000 of tax credits per year at the sole discretion of OCIB. OCIB has the authority to issue up to \$20,000,000 of tax credits per year with an overall maximum of \$100,000,000. The remaining \$69,085,000 of tax credits were not considered impaired at June 30, 2017, as there was sufficient time remaining for the tax credits to be utilized before they expire.

Note 19. Tax Abatements

The State of Oklahoma (state) provides tax abatements under six programs: Historic Rehabilitation tax credits, Quality Jobs programs (High Impact, Small Employer and 21st Century), Oklahoma Film Enhancement rebates, the Quality Events Program, Small Business Incubators (Sponsors and Tenants) and New Products Development Income Tax Exemptions. Tribal compacts with Native American tribes also provide abatements to cigarette tax collections.

The Historic Rehabilitation Tax Credits Program, established by the Legislature (68 O.S. § 2357.41) promotes the rehabilitation of historic structures of every period. These credits can be claimed at any time after the relevant local governmental body responsible for doing so issues a certificate of occupancy or other document that is a precondition for the applicable use of the building or structure. During the fiscal year ended June 30, 2017, tax credits in the amount of \$18,595,000 were approved for twenty structures.

Three quality jobs programs are administered by the Oklahoma Department of Commerce (ODOC) for which the state provides incentive payments that are paid from income tax collections:

The High Impact Quality Jobs Program (68 O.S. §3708) was established to provide an incentive for companies to expand or relocate jobs to Oklahoma. Companies meeting certain statutory requirements can receive a rebate of up to five percent of new taxable payroll for up to ten years. The requirements include creating jobs within a qualifying industry as noted by North American Industry Classification System; paying wages on the newly created jobs equal to the average county wage or the state threshold wage, whichever is lower; achieving \$2,500,000 in new annual taxable payroll within three years; and offering basic health insurance to employees within 180 days of employment. Companies can receive up to a six percent rebate if at least ten percent of new payroll is comprised of qualified military veterans.

The Small Employer Quality Jobs Program (68 O.S. §3901) was established to provide appropriate incentives to support the creation of quality jobs, particularly for small businesses, in basic industries in the state. Companies applying for the Small Employer program must have 90 employees or less at the time of application to the program. Rebates under the program are received for up to seven years. Program requirements include creating a minimum number of new jobs based on the population of the community where the company is located; having 75% out-of-state sales within one year of program start date; paying the newly created jobs at 110% of the average county wage; and offering basic health insurance within 180 days of employment (the employee must not pay more than 50% of the premium).

The 21st Century Quality Jobs Program (68 O.S. §3911-3920) was established to provide appropriate incentives to attract growth industries and sectors to Oklahoma in the 21st century through a policy of rewarding businesses with a highly skilled, knowledge-based workforce. The program allows a net benefit rate of up to ten percent of payroll for up to ten years and requires at least ten full-time jobs at an annual average wage of the lesser of \$95,243 (the state wage, which is indexed every year) or 300% of the county's average wage. Out-of-state sales for the company must be at least 50% for most participants. The program targets industries, such as knowledge-based service industries, including professional, scientific and technical services; music, film and performing arts; and specialty hospitals.

During the fiscal year ended June 30, 2017, 115 companies received payments totaling \$69,997,000 as part of Quality Jobs Programs.

In an effort to increase the attractiveness of Oklahoma as a location for the Film Industry, the Oklahoma Film Enhancement rebate was established by the Legislature (68 O.S. §§ 3621-3626). A rebate, of up to 35% of documented expenditures made in Oklahoma directly attributable to the production of film, television production, or television commercials, may be paid to the production company. The Oklahoma Film and Music Commission and the Oklahoma Tax Commission (OTC) administer the program. During the fiscal year ended June 30, 2017, nine film companies were rebated corporate income tax amounting to \$2,985,000.

The Quality Events Incentive (68 O.S. §4301-4311) was designed to promote certain quality events that have a significant positive economic impact. A Quality event is a new event of a meeting of a nationally recognized organization, a new or existing event that is a national, international or world championship, or a new or existing event that is managed or produced by an Oklahoma based national or international organization. The host community must submit a resolution and information pertaining to the event (geographic area, length of time for revenue capture, expenses, event history, and economic impact) to the OTC within 30 days of the date on which the host community adopts the ordinance or resolution. The OTC will then approve or disapprove the impact study. The ODOC and the Oklahoma Tourism and Recreation Department provide assistance and information, as requested, by the OTC to approve or disapprove an economic impact study.

During the fiscal year ended June 30, 2017, eight events were certified by the Quality Events Incentive Program, and \$243,000 in sales tax was abated.

A business incubator is a facility in which small businesses may rent space and where management provides business development services, such as financial consulting and marketing assistance. The Small Business Incubators program offers tax exemptions for both sponsors (74 O.S. §5075) and tenants (74 O.S. §5078) of business incubators that register with ODOC.

The income of a sponsor of a certified incubator is exempt from Oklahoma income taxes on income earned from rental fees, other income derived from services provided to the tenants, or for providing funding for an incubator site.

The tenant is exempt from state tax liability on income earned as a result of activities conducted as an occupant in a certified incubator for up to ten years from the occupancy date in an incubator site in accordance with rules of the OTC.

The exemption remains in effect after the date the tenant is no longer an occupant in an incubator, but not to exceed a total of ten years.

Reporting for tax exemptions related to business incubator tenants and sponsors is commingled with other tax exemptions on the forms provided to the OTC. As a result, it is not possible to determine the amount of tax abated during the fiscal year ended June 30, 2017.

Under the New Products Development Income Tax Exemption (74 O.S. § 5064.7), royalties earned by an inventor from a product developed and manufactured in the State of Oklahoma shall be exempt from state income tax for a period of seven years from the first year in which such royalty is received as long as the manufacturer remains in the state. In addition, such manufacturer may exclude from Oklahoma taxable income, or in the case of an individual, the Oklahoma adjusted gross income, 65% of the cost of depreciable property purchased and utilized directly in manufacturing the product. To qualify for the incentives, the product shall be patented or have patent pending pursuant to federal law and shall be registered with Oklahoma Center for the Advancement of Science and Technology.

The reporting for tax exemptions related to New Products Development Income Tax Exemptions are commingled with other tax exemptions on the forms provided to the OTC. As a result, it is not possible to determine the amount of tax abated during the fiscal year ended June 30, 2017.

Twenty-nine Native American Tribes, governed within the state's borders, collect cigarette taxes on behalf of the state through compact agreements. Only a portion of the taxes are remitted to the state, with the tribe retaining the remainder as defined by the compact agreement. During the fiscal year ending June 30, 2017, the amount of tax retained by Tribes ranged from 50-92% and resulted in \$59,937,000 of tax abatements.

Information relevant to disclosure of those programs for the fiscal year ended June 30, 2017, is:

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated (in thousands)</u>
Historic Rehabilitation Tax Credits	\$ 18,595
Quality Jobs Programs	69,997
Oklahoma Film Enhancement Rebate	2,985
Quality Events Program	243
Cigarette Tax Tribal Compacts	59,937

* - Taxes abated for the New Products Development Income Tax Exemption and Small Business Incubators are commingled with other types of exemptions.

Note 20. Subsequent Events

Component Units

Oklahoma Capital Improvement Authority has authorized but not issued lease revenue bonds totaling \$278,555,000 for outstanding tax-exempt issues.

Oklahoma Water Resources Board has authorized but not issued bonds totaling \$300,000,000 for the state loan program.

Oklahoma State University has authorized but not issued bonds totaling \$35,000,000 for the construction of facilities to expand telemedicine to rural areas in Oklahoma.

The Grand River Dam Authority has authorized but not issued bonds totaling \$90,455,000 to refund a portion of the Authority's Revenue Bonds, Series 2010A and to finance certain costs of issuance of the Series 2017 bonds.

REQUIRED SUPPLEMENTARY INFORMATION



REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

Budget to Actual (Non-GAAP Budgetary Basis)

General Fund

For the Fiscal Year Ended June 30, 2017
(expressed in thousands)

GENERAL FUND						
BUDGET						
ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE		
EDUCATION						
State Arts Council						
01	Duties	\$ 2,918	\$ -	\$ 2,918	\$ 1,848	\$ 1,070
11	FY16 Carryover	-	290	290	46	244
	Agency Total	2,918	290	3,208	1,894	1,314
Department Of Education						
06	Administrative and Support Functions	15,721	-	15,721	11,726	3,995
04	Certified Employee Health Benefit Allow ance	282,043	-	282,043	282,043	-
01	Financial support of Public Schools	65,865	-	65,865	65,865	-
01	Financial support of Public Schools	1,031,324	-	1,031,324	1,031,003	321
01	Financial support of Public Schools (Min Lea)	3,610	-	3,610	2,722	888
02	Financial support of Public Schools (Min Lea)	1,114	-	1,114	1,114	-
03	Math Intervention, grades 4-8	993	-	993	969	24
02	Public School Activities	91,313	-	91,313	70,821	20,492
04	Support Personnel Health Benefit Allow ance	156,894	-	156,894	156,894	-
02	Ad Valorem Reimbursement Fund	-	60,185	60,185	-	60,185
04	Ad Valorem Reimbursement Fund	-	9,815	9,815	-	9,815
12	FY 16 Textbook Carryover	-	14	14	14	-
	Agency Total	1,648,877	70,014	1,718,891	1,623,171	95,720
Office of Educational Quality and Accountability						
01	Duties	1,169	-	1,169	603	566
2	Duties	500	-	500	-	500
11	FY16 Carryover	-	364	364	362	2
11	FY16 Carryover	-	122	122	101	21
	Agency Total	1,669	486	2,155	1,066	1,089
Commission of the Land Office						
01	Duties	8,539	-	8,539	7,447	1,092
	Agency Total	8,539	-	8,539	7,447	1,092
Department of Libraries						
01	Duties	4,579	-	4,579	4,336	243
11	FY16 Carryover	-	167	167	166	1
	Agency Total	4,579	167	4,746	4,502	244
Physician Manpower Training Commission						
01	Duties	3,063	-	3,063	2,891	172
03	Duties	400	-	400	278	122
11	FY16 Carryover	-	96	96	50	46
11	FY16 Carryover	-	-	-	-	-
	Agency Total	3,463	96	3,559	3,219	340
Center for Advancement of Science and Technology						
01	Duties	14,011	-	14,011	13,093	918
11	FY16 Carryover	-	716	716	716	-
	Agency Total	14,011	716	14,727	13,809	918
Oklahoma School of Science and Math						
02	Duties	6,425	-	6,425	4,838	1,587
11	FY16 Carryover	-	882	882	773	109
	Agency Total	6,425	882	7,307	5,611	1,696

GENERAL FUND					
	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
Department of Career and Technology Education					
08 Duties	114,112	-	114,112	104,799	9,313
18 FY16 Carryover	-	945	945	945	-
28 FY15 Carryover	-	8,657	8,657	8,657	-
Agency Total	114,112	9,602	123,714	114,401	9,313
Education Total					
	1,804,593	82,253	1,886,846	1,775,120	111,726
GENERAL GOVERNMENT					
Office of Management and Enterprise Services					
01 Duties	18,947	-	18,947	16,467	2,480
02 Duties (Capitol Bond Debt Service)	-	14,381	14,381	-	14,381
01 For transfer to Bldg & Fac Revolv (Fund 245)	2,888	-	2,888	2,648	240
02 For transfer to Bldg & Fac Revolv (Fund 245)	3,435	-	3,435	3,435	-
21 FY15 Carryover	-	242	242	242	-
23 FY15 Carryover	-	754	754	754	-
11 FY16 Carryover	-	2,773	2,773	2,773	-
Agency Total	25,270	18,150	43,420	26,319	17,101
Department of Commerce					
01 Duties	15,478	-	15,478	11,457	4,021
02 Duties - NACEA	5,981	-	5,981	5,766	215
11 FY16 Carryover	-	2,825	2,825	2,731	94
12 FY16 NACEA Carryover	-	175	175	175	-
21 FY15 Carryover	-	31	31	31	-
Agency Total	21,459	3,031	24,490	20,160	4,330
State Election Board					
01 Duties	5,356	-	5,356	3,890	1,466
03 Duties	2,500	-	2,500	1,714	786
12 FY16 Carryover	-	154	154	154	-
11 FY16 Carryover	-	1,189	1,189	1,179	10
Agency Total	7,856	1,343	9,199	6,937	2,262
Ethics Commission					
01 Duties	735	-	735	721	14
Agency Total	735	-	735	721	14
Merit Protection Commission					
01 Duties	377	-	377	235	142
11 FY16 Carryover	-	147	147	147	-
Agency Total	377	147	524	382	142
State Auditor and Inspector					
01 Duties	2,884	-	2,884	2,860	24
02 County Govt Personnel Educ & Trng	235	-	235	196	39
11 FY16 Carryover	-	92	92	92	-
12 FY16 Carryover Cnty Govt Pers	-	7	7	5	2
Agency Total	3,119	99	3,218	3,153	65
Governor					
01 Duties	1,713	-	1,713	1,525	188
11 FY16 Carryover	-	170	170	170	-
Agency Total	1,713	170	1,883	1,695	188
Lieutenant Governor					
01 Duties	389	-	389	367	22
11 FY16 Carryover	-	221	221	84	137
Agency Total	389	221	610	451	159
State Bond Advisor					
01 Duties	110	-	110	110	-
11 FY16 Carryover	-	3	3	3	-
Agency Total	110	3	113	113	-

GENERAL FUND						
BUDGET			ACTUAL	VARIANCE		
ORIGINAL	Amendments	FINAL				
Tax Commission						
30	Duties	44,026	-	44,026	39,058	4,968
31	FY16 Carryover	-	1,068	1,068	1,068	-
	Agency Total	44,026	1,068	45,094	40,126	4,968
Treasurer						
01	Duties	2,701	-	2,701	715	1,986
02	State Land Reimbursements	95	-	95	95	-
11	FY16 Carryover	-	1,434	1,434	1,241	193
21	FY15 Carryover	-	340	340	320	20
	Agency Total	2,796	1,774	4,570	2,371	2,199
General Government Total						
		107,850	26,006	133,856	102,428	31,428
HEALTH SERVICES						
Department of Health						
01	Duties	53,327	-	53,327	43,812	9,515
	Agency Total	53,327	-	53,327	43,812	9,515
Mental Health and Substance Abuse						
01	Duties	297,724	-	297,724	273,646	24,078
04	Duties	24,000	-	24,000	22,912	1,088
11	FY16 Carryover	-	8,403	8,403	8,403	-
	Agency Total	321,724	8,403	330,127	304,961	25,166
Health Care Authority						
01	Duties (to Disbursing Funds 200 and 340)	659,755	-	659,755	659,755	-
02	Duties (to Disbursing Funds 200 and 340)	109,957	-	109,957	109,957	-
03	Duties (effective December 1, 2016)	200,000	-	200,000	200,000	-
	Agency Total	969,712	-	969,712	969,712	-
Health Services Total						
		1,344,763	8,403	1,353,166	1,318,485	34,681
LEGAL AND JUDICIARY						
Indigent Defense System						
01	Duties	14,849	-	14,849	13,698	1,151
01	Duties	-	711	711	10	701
11	FY16 Carryover	-	963	963	883	80
	Agency Total	14,849	1,674	16,523	14,591	1,932
Attorney General						
01	Duties	5,383	-	5,383	4,146	1,237
02	For transfer to the Legal Services Rev Fund	898	-	898	898	-
11	FY16 Carryover	-	359	359	301	58
	Agency Total	6,281	359	6,640	5,345	1,295
Court of Criminal Appeals						
01	Duties	3,605	-	3,605	3,465	140
11	FY16 Carryover	-	231	231	227	4
	Agency Total	3,605	231	3,836	3,692	144
District Courts						
01	Duties - District Courts	11,122	-	11,122	10,904	218
01	FY16 Carryover	-	133	133	133	-
	Agency Total	11,122	133	11,255	11,037	218

GENERAL FUND					
	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
Supreme Court					
01 Duties	11,257	-	11,257	10,409	848
11 FY16 Carryover	-	1,205	1,205	1,205	-
Agency Total	11,257	1,205	12,462	11,614	848
Legal and Judiciary Total	47,114	3,602	50,716	46,279	4,437
MUSEUMS					
J.M. Davis Arms and Historical Museum					
01 Duties	241	-	241	220	21
11 FY16 Carryover	-	7	7	7	-
Agency Total	241	7	248	227	21
Historical Society					
01 Duties	10,929	-	10,929	9,884	1,045
01 Duties	-	275	275	-	275
11 FY16 Carryover	-	254	254	254	-
Agency Total	10,929	529	11,458	10,138	1,320
Museums Total	11,170	536	11,706	10,365	1,341
NATURAL RESOURCES					
Department of Agriculture					
01 Duties	20,150	-	20,150	19,064	1,086
02 Duties	1,767	-	1,767	1,767	-
11 FY16 Carryover	-	585	585	290	295
Agency Total	21,917	585	22,502	21,121	1,381
Department of Environmental Quality					
01 Duties	5,945	-	5,945	5,580	365
Agency Total	5,945	-	5,945	5,580	365
Department of Tourism and Recreation					
01 Duties	14,930	-	14,930	13,806	1,124
11 FY16 Carryover	-	208	208	208	-
Agency Total	14,930	208	15,138	14,014	1,124
Conservation Commission					
01 Duties	8,977	-	8,977	8,234	743
11 FY16 Carryover	-	257	257	248	9
Agency Total	8,977	257	9,234	8,482	752
Water Resources Board					
01 Duties	3,895	-	3,895	3,714	181
01 Duties to REAP fund (225)	1,193	-	1,193	1,193	-
11 FY16 Carryover	-	189	189	183	6
Agency Total	5,088	189	5,277	5,090	187
Natural Resources Total	56,857	1,239	58,096	54,287	3,809
PUBLIC SAFETY AND DEFENSE					
Oklahoma Military Department					
01 Duties	9,965	-	9,965	7,739	2,226
11 FY16 Carryover	-	717	717	196	521
Agency Total	9,965	717	10,682	7,935	2,747

GENERAL FUND						
BUDGET						
ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE		
Alcohol Beverage Laws Enforcement						
01	Duties	2,483	-	2,483	2,477	6
11	FY16 Carryover	-	73	73	73	-
Agency Total		2,483	73	2,556	2,550	6
Department of Corrections						
30	Duties	420,467	-	420,467	397,937	22,530
02	Duties	44,970	-	44,970	44,192	778
03	Duties (effective December 1, 2016)	15,000	-	15,000	15,000	-
Agency Total		480,437	-	480,437	457,129	23,308
District Attorney's Council						
01	Duties (w/ allow ance to transfer \$491,014 to 22500)	34,227	-	34,227	33,935	292
11	FY16 Carryover	-	1,080	1,080	1,058	22
Agency Total		34,227	1,080	35,307	34,993	314
Pardon and Parole Board						
01	Duties	2,278	-	2,278	1,795	483
11	FY16 Carryover	-	495	495	495	-
Agency Total		2,278	495	2,773	2,290	483
State Bureau of Investigation						
01	Duties	12,305	-	12,305	12,305	-
11	FY16 Carryover	-	277	277	212	65
Agency Total		12,305	277	12,582	12,517	65
Department of Emergency Management						
01	Duties	500	-	500	460	40
11	FY16 Carryover	-	54	54	-	54
Agency Total		500	54	554	460	94
State Fire Marshal						
01	Duties	1,222	-	1,222	1,183	39
Agency Total		1,222	-	1,222	1,183	39
Board of Medicolegal Investigations						
01	Duties	8,688	-	8,688	4,741	3,947
11	FY16 Carryover	-	3,741	3,741	3,741	-
Agency Total		8,688	3,741	12,429	8,482	3,947
Council on Law Enforcement, Education, and Training						
01	Duties	2,788	-	2,788	2,594	194
02	Duties	124	-	124	103	21
11	FY16 Carryover	-	183	183	27	156
Agency Total		2,912	183	3,095	2,724	371
Bureau of Narcotics and Dangerous Drugs						
02	Duties	3,091	-	3,091	3,091	-
Agency Total		3,091	-	3,091	3,091	-
Department of Public Safety						
01	Duties	54,990	-	54,990	52,395	2,595
01	Duties	258	-	258	258	-
02	Duties	15,036	-	15,036	15,036	-
03	Duties	-	5,000	5,000	-	5,000
11	FY16 Carryover	-	2,045	2,045	2,045	-
Agency Total		70,284	7,045	77,329	69,734	7,595
Public Safety and Defense Total		628,392	13,665	642,057	603,088	38,969

GENERAL FUND					
BUDGET					
ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE	
REGULATORY SERVICES					
Department of Mines					
01 Duties	770	-	770	745	25
11 FY16 Carryover	-	49	49	-	49
Agency Total	770	49	819	745	74
Corporation Commission					
01 Duties	7,629	-	7,629	7,164	465
Agency Total	7,629	-	7,629	7,164	465
Oklahoma Horse Racing Commission					
01 Duties	1,732	-	1,732	1,674	58
11 FY16 Carryover	-	51	51	51	-
Agency Total	1,732	51	1,783	1,725	58
Insurance Department					
11 FY16 Carryover	-	43	43	43	-
Agency Total	-	43	43	43	-
Department of Labor					
01 Duties	1,841	-	1,841	1,301	540
03 Duties	1,457	-	1,457	974	483
12 FY16 Carryover	-	163	163	103	60
Agency Total	3,298	163	3,461	2,378	1,083
Regulatory Services Total					
	13,429	306	13,735	12,055	1,680
SOCIAL SERVICES					
Commission on Children and Youth					
10 Duties	1,731	-	1,731	1,574	157
11 FY16 Carryover	-	295	295	285	10
Agency Total	1,731	295	2,026	1,859	167
Office of Disability Concerns					
01 Duties	244	-	244	192	52
11 FY16 Carryover	-	18	18	18	-
Agency Total	244	18	262	210	52
Office of Juvenile Affairs					
01 Duties	42,909	-	42,909	35,546	7,363
02 Duties	48,858	-	48,858	46,255	2,603
11 FY16 Carryover	-	2,215	2,215	808	1,407
Agency Total	91,767	2,215	93,982	82,609	11,373
Department of Veterans Affairs					
01 Duties	29,152	-	29,152	25,974	3,178
11 FY16 Carryover	-	943	943	910	33
Agency Total	29,152	943	30,095	26,884	3,211
J.D. McCarty Center					
10 Duties	3,868	-	3,868	3,689	179
11 FY16 Carryover	-	209	209	181	28
Agency Total	3,868	209	4,077	3,870	207
Department of Rehabilitation Services					
01 Duties (to disbursing funds)	27,260	-	27,260	27,260	-
Agency Total	27,260	-	27,260	27,260	-

GENERAL FUND					
BUDGET					
ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE	
University Hospitals Authority					
01 Duties	34,643	1,019	35,661	30,432	5,229
Agency Total	34,643	1,019	35,661	30,432	5,229
Department of Human Services					
01 Duties (to Disbursing Funds)	596,297	-	596,297	596,297	-
03 Duties (to Disbursing Funds)	51,000	-	51,000	51,000	-
01 DDSD	-	4,204	4,204	-	4,204
01 DDSD	-	18,006	18,006	-	18,006
02 Aging Services Division Waivers	-	11,790	11,790	-	11,790
Agency Total	647,297	34,000	681,297	647,297	34,000
Social Services Total	835,962	38,699	874,660	820,421	54,239
TRANSPORTATION					
Oklahoma Space Industry Development Auth.					
01 Duties to Space Industries Dev.	303	-	303	303	-
Agency Total	303	-	303	303	-
Transportation Total	303	-	303	303	-
General Fund Total	\$ 4,850,433	\$ 174,709	\$ 5,025,141	\$ 4,742,831	\$ 282,310

SUMMARY OF REVENUE BY FUNCTION OF GOVERNMENT

Education Revenue Total	67,582	-	67,582	68,963	(1,381)
General Government Revenue Total	5,837,206	-	5,837,206	5,661,777	175,429
Public Safety and Defense Total	16,188	-	16,188	15,874	314
Regulatory Services Total	1,938	-	1,938	1,636	302
Revenue Total	\$ 5,922,914	\$ -	\$ 5,922,914	\$ 5,748,250	\$ 174,664

Notes to Required Supplementary Information - Budgetary Reporting

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The Budgetary Comparison Schedule - Budget to Actual (Non-GAAP Budgetary Basis) presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis. The Schedule represents budgetary comparisons at the legal level of budgetary control (i.e. line item level). The schedule is prepared on a cash basis plus encumbrances where the expenditures are expected to be presented by November 15th in the following fiscal year. Certain appropriations are transferred to continuing funds for expenditure. Unexpended amounts may then be budgeted again in subsequent fiscal years. These transfers are not included in the total expenditures on the Budgetary Comparison Schedule - Budget to Actual (Non-GAAP Budgetary Basis).

Reconciliation of Budgetary Fund Balance to GAAP Fund Balance

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resulting basis, perspective, and entity differences in the revenues in excess of (less than) expenditures and other financing sources (uses) between budgetary and GAAP presentations for the year ended June 30, 2017, is presented below (expressed in thousands) for the General Fund:

Budgetary Basis Fund Balance, June 30, 2016	\$ 593,578
Excess of total sources over total uses of financial resources (Budgetary Basis)	<u>642,417</u>
Budgetary Basis Fund Balance, June 30, 2017	1,235,995
Entity and Perspective Differences:	
Non-budgeted Funds and Capital Funds	1,960,347
Encumbrances	99,412
Basis Differences:	
Add: Net accrued revenues, related receivables, and deferred revenues	1,079,356
Less: Net accrued expenditures and related liabilities	<u>(1,236,895)</u>
GAAP Basis Fund Balance, June 30, 2017	<u><u>\$ 3,138,215</u></u>

Pension Schedules Required by GASB 68

For the Fiscal Year Ended June 30, 2017
(expressed in thousands)

The following information presented for pension plans that are reported as fiduciary component units of the State of Oklahoma are required by the Governmental Accounting Standards Board, Statement 68. For more complete information, including the annual money-weighted rate of return, and schedule of funding progress, audited annual statements can be acquired by contacting the pension plan:

Firefighters Pension and Retirement
6601 Broadway Extension, Suite 100
Oklahoma City, OK 73116
<http://www.ok.gov/fprs/>

Law Enforcement Retirement
421 N.W. 13th Street, Suite 100
Oklahoma City, OK 73103
<http://www.oters.state.ok.us/>

Police Pension and Retirement
1001 N.W. 63rd Street, Suite 305
Oklahoma City, OK 73116
<http://www.ok.gov/OPPRS/>

Public Employees Retirement
P.O. Box 53007
Oklahoma City, OK 73152
<http://www.opers.ok.gov/>

Uniform Retirement System for Judges and Justices
P.O. Box 53007
Oklahoma City, OK 73152
<http://www.opers.ok.gov/>

Teachers Retirement System
2500 N. Lincoln Boulevard, 5th FL
Oklahoma City, OK 73105
<http://www.ok.gov/TRS/>

Department of Wildlife Conservation
P.O. Box 53465
Oklahoma City, OK 73152
<http://www.wildlifedepartment.com>

Schedules of Contributions and Related Ratios

Single Employer Plans

A. General Fund

Schedule of Contributions Wildlife Commission Retirement Plan Last Ten Fiscal Years (Expressed in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 2,988	\$ 3,197	\$ 3,691	\$ 4,307	\$ 4,267	\$ 3,802	\$ 3,180	\$ 4,414	\$ 3,406	\$ 3,118
Contributions in relation to the actuarially determined contribution	4,780	3,700	4,307	4,300	4,100	4,100	3,180	4,414	3,410	3,008
Contribution deficiency (excess)	<u>\$ (1,792)</u>	<u>\$ (503)</u>	<u>\$ (616)</u>	<u>\$ 7</u>	<u>\$ 167</u>	<u>\$ (298)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4)</u>	<u>\$ 110</u>
Covered payroll	\$ 12,806	\$ 13,388	\$ 13,667	\$ 13,599	\$ 14,300	\$ 14,662	\$ 14,633	\$ 14,839	\$ 14,811	\$ 14,462
Contributions as percentage of covered payroll	37.33%	27.64%	31.51%	31.62%	28.67%	27.96%	21.73%	29.74%	23.02%	20.80%

Schedule of Net Pension Liability
Wildlife Commission Retirement Plan
Last Four Fiscal Years
(Expressed in thousands)

	2016	2015	2014	2013
Total Pension Liability				
Service cost	\$ 1,848	\$ 1,840	\$ 1,930	\$ 1,988
Interest	7,832	7,586	7,296	7,057
Differences between expected and actual experience	456	(357)	293	(844)
Changes in benefit terms	1,156	-	-	-
Changes of assumptions	195	-	-	-
Benefit payments	(5,593)	(5,540)	(5,032)	(4,445)
Net Change in Total Pension Liability	5,894	3,529	4,487	3,756
Total Pension Liability - Beginning	112,826	109,297	104,810	101,054
Total Pension Liability - Ending	<u>\$ 118,720</u>	<u>\$ 112,826</u>	<u>\$ 109,297</u>	<u>\$ 104,810</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 3,700	\$ 4,307	\$ 4,300	\$ 4,100
Contributions - member	663	655	681	698
Net investment income	492	4,097	12,370	7,483
Benefit payments	(5,593)	(5,540)	(5,032)	(4,445)
Administrative expense	(55)	(49)	(38)	(38)
Net change in plan fiduciary net position	(793)	3,470	12,281	7,798
Plan fiduciary net position - beginning	99,931	96,461	84,180	76,382
Plan fiduciary net position - ending	99,138	99,931	96,461	84,180
Net pension liability	<u>\$ 19,582</u>	<u>\$ 12,895</u>	<u>\$ 12,836</u>	<u>\$ 20,630</u>
Total pension liability	\$ 118,720	\$ 112,826	\$ 109,297	\$ 104,810
Plan fiduciary net position	99,138	99,931	96,461	84,180
Net pension liability (asset)	<u>\$ 19,582</u>	<u>\$ 12,895</u>	<u>\$ 12,836</u>	<u>\$ 20,630</u>
Ratio of plan fiduciary net position to total pension liability	83.51%	88.57%	88.26%	80.32%
Covered payroll	\$ 13,388	\$ 13,667	\$ 13,599	\$ 14,300
Net pension liability as a percentage of covered payroll	146.26%	94.35%	94.39%	144.27%

Notes to Schedules:

GASB Statement 68 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement 68 and is the latest available at the date of publication.

Actuarially Determined Contributions:

The annual required contribution for fiscal year 2017 was determined as part of the July 1, 2017, actuarial valuation using the entry age normal method. The actuarial assumptions included a) a 7.0% investment rate of return (net of administrative expense) and b) projected salary increases of 3.0%-7.0%. The assumptions did not include cost-of-living allowances for active, disabled, or retired members.

Benefit Changes: Information to present a 10-year history is not readily available

Changes in Actuarial Assumptions: Information to present a 10-year history is not readily available

B. Component Units

Schedule of Contributions Oklahoma Law Enforcement Retirement System Last Ten Fiscal Years (Expressed in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 33,110	\$ 33,291	\$ 31,838	\$ 43,775	\$ 44,734	\$ 48,634	\$ 50,094	\$ 48,103	\$ 36,616	\$ 32,668
Contributions in relation to the actuarially determined contribution	9,262	10,219	9,438	8,566	8,296	7,414	7,694	7,779	7,686	7,501
Contributions--State of Oklahoma insurance premium tax	21,843	22,981	22,861	21,165	19,807	18,836	16,965	15,456	17,311	17,670
Total Contribution	31,105	33,200	32,299	29,731	28,103	26,250	24,659	23,235	24,997	25,171
Contribution deficiency (excess)	\$ 2,005	\$ 91	\$ (461)	\$ 14,044	\$ 16,631	\$ 22,384	\$ 25,435	\$ 24,868	\$ 11,619	\$ 7,497
Covered payroll	\$ 86,496	\$ 88,683	\$ 84,880	\$ 76,838	\$ 73,423	\$ 71,598	\$ 70,967	\$ 73,400	\$ 75,320	\$ 73,508
Contributions as percentage of covered payroll	35.96%	37.44%	38.05%	38.69%	38.28%	36.66%	34.75%	31.66%	33.19%	34.24%

Schedule of Net Pension Liability Oklahoma Law Enforcement Retirement System Last Three Fiscal Years (Expressed in thousands)

	2016	2015	2014
Total Pension Liability			
Service cost	\$ 23,126	\$ 22,087	\$ 20,294
Interest	72,766	66,613	64,959
Differences between expected and actual experience	6,137	51,090	(9,771)
Benefit payments	(58,348)	(57,187)	(49,777)
Net Change in Total Pension Liability	43,681	82,603	25,705
Total Pension Liability - Beginning	998,863	916,260	890,555
Total Pension Liability - Ending	\$ 1,042,544	\$ 998,863	\$ 916,260
Plan Fiduciary Net Position			
Contributions - employer	\$ 10,219	\$ 9,438	\$ 8,566
Contributions - nonemployer	22,981	22,861	21,165
Contributions - member	6,866	6,390	5,787
Net investment income	(22,244)	34,802	121,403
Benefit payments	(58,348)	(57,187)	(49,777)
Administrative expense	(1,031)	(1,069)	(927)
Net change in plan fiduciary net position	(41,557)	15,235	106,217
Plan fiduciary net position - beginning	895,141	879,906	773,689
Plan fiduciary net position - ending	\$ 853,584	\$ 895,141	\$ 879,906
Net pension liability	\$ 188,960	\$ 103,722	\$ 36,354
Total pension liability	1,042,544	998,863	916,260
Plan fiduciary net position	853,584	895,141	879,906
Net pension liability (asset)	\$ 188,960	\$ 103,722	\$ 36,354
Ratio of plan fiduciary net position to total pension liability	81.88%	89.62%	96.03%
Covered payroll	\$ 88,683	\$ 84,880	\$ 76,838
Net pension liability as a percentage of covered payroll	213.07%	122.20%	47.31%

Notes to Schedule:

GASB Statement 68 requires the information presented in the “Schedules of Required Supplementary Information” cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement 68 and is the latest available at the date of publication.

Actuarially Determined Contributions:

The annual required contribution for fiscal year 2017 was determined as part of the July 1, 2017, actuarial valuation using the individual entry age normal method. The actuarial assumptions included a) a 7.5% investment rate of return (net of administrative expense) b) projected salary increases of 3.50%-9.75%. The assumptions did not include a cost-of-living allowance for active, disabled, or retired members and c) a cost-of-living allowance of 3% for eligible participants and d) an inflation rate of 3.00%.

Benefit Changes:

- 2014: House Bill 2622 reset the amortization period of the unfunded actuarial liability to 15 years effective July 1, 2014.
- 2012: Senate Bill No. 1001 was enacted, which increased the agency contribution to 11% of pay as of November 1, 2012. In addition, the bill eliminated the half-pay benefit for certain members hired on or after November 1, 2012.
- 2011: The Oklahoma Pension Legislation Actuarial Analysis Act was modified to change the Definition of non-fiscal retirement bill and by removing a certain provision that allows a Cost-of-living adjustment (COLA) to be considered non-fiscal, thereby requiring that COLAs be concurrently funded by the Legislature at the time they are enacted.
- 2010: SB 2130 eliminated the mandatory retirement age of sixty years for members.
- 2008: House Bill 3112 provides a 4% COLA for retired members. Senate Bill 565 states that beginning July 1, 2010, the amount of insurance premium tax revenue apportioned to the System will be applied prior to calculation of the Home Office Credit.
- 2007: Senate Bill 695 brings the System into compliance with IRS requirements as it relates to the direct payment of qualified health insurance premiums and the rollover of distributions of a non-spouse beneficiary. House Bill 2070 subjects the System to the Oklahoma Pension Legislation Actuarial Analysis Act.

Changes in Actuarial Assumptions:

July 1, 2017 Valuation:

- The cost-of-living assumption used was 3% for eligible participants. The inflation assumption was 3%

July 1, 2012 Valuation:

- Healthy mortality was changed from the RP-2000 Table with Blue Collar adjustment (Active rates before age 50, Annuitant rates after age 49) with generational mortality improvement to the RP-2000 Combined Table with Blue Collar adjustment with generational mortality improvement.
- The mortality table used for disabled pensioners was changed from RP-2000 Table with Blue Collar Adjustment set forward seven years to RP-2000 Combined Table with Blue Collar adjustment.
- The retirement, disability, and withdrawal rates were changed.
- The inflation assumption was changed from 3.25% to 3.00%.
- The salary increase assumption was changed.

July 1, 2007 Valuation:

- The retirement, disability, and withdrawal rates were changed.
- The salary increase assumption was changed.
- The rate of inflation assumption was increased to 3.25% per year.
- A COLA assumption of 4% every other year was added.

Uniform Retirement System for Judges and Justices
Schedule of Contributions
Last Four Fiscal Years
(Expressed in thousands)

	2017	2016	2015	2014
Actuarially determined contribution	\$ 3,626	\$ 3,454	\$ 4,897	\$ 7,215
Actual Employer Contributions	6,013	5,832	5,295	4,611
Contribution deficiency (excess)	<u>\$ (2,387)</u>	<u>\$ (2,378)</u>	<u>\$ (398)</u>	<u>\$ 2,604</u>
Covered payroll	\$ 34,811	\$ 34,537	\$ 34,282	\$ 34,325
Contributions as percentage of employee payroll	17.27%	16.89%	15.45%	13.43%

Schedule of Proportionate Shares
Uniform Retirement System for Judges and Justices
Last Three Fiscal Years
(Expressed in thousands)

	2016	2015	2014
Total Pension Liability			
Service cost	\$ 9,689	\$ 9,602	\$ 9,489
Interest	19,341	18,812	18,529
Differences between expected and actual experience	(7,480)	(4,598)	(7,597)
Changes of assumptions	5,843	-	(1,046)
Benefit payments	(17,198)	(16,093)	(14,939)
Refunds of contributions	(161)	(111)	(57)
Net Change in Total Pension Liability	10,034	7,612	4,379
Total Pension Liability - Beginning	266,400	258,788	254,409
Total Pension Liability - Ending	<u>\$ 276,434</u>	<u>\$ 266,400</u>	<u>\$ 258,788</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 5,832	\$ 5,295	\$ 4,611
Contributions - member	2,666	2,706	2,544
Net investment income	1,441	8,174	46,211
Benefit payments	(17,198)	(16,093)	(14,939)
Administrative expense	(149)	(144)	(132)
Refunds of contributions	(161)	(111)	(57)
Net change in plan fiduciary net position	\$ (7,569)	\$ (173)	\$ 38,238
Plan fiduciary net position - beginning	301,296	301,469	263,231
Plan fiduciary net position - ending	<u>\$ 293,727</u>	<u>\$ 301,296</u>	<u>\$ 301,469</u>
Net pension liability	<u>\$ (17,293)</u>	<u>\$ (34,896)</u>	<u>\$ (42,681)</u>
Total pension liability	276,434	266,400	258,788
Plan fiduciary net position	293,727	301,296	301,469
Net pension liability (asset)	\$ (17,293)	\$ (34,896)	\$ (42,681)
Ratio of plan fiduciary net position to total pension liability	106.26%	113.10%	116.49%
Covered payroll	\$ 34,537	\$ 34,282	\$ 34,325
Net pension asset as a percentage of covered payroll	50.07%	101.79%	124.34%

Notes to Schedule:

GASB Statement 68 requires the information presented in the “Schedules of Required Supplementary Information” cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement 68 and is the latest available at the date of publication.

Actuarially Determined Contributions:

The annual required contribution for fiscal year 2017 was determined as part of the July 1, 2016, actuarial valuation using the entry age normal method. The actuarial assumptions included a) a 7.00% investment rate of return (net of administrative expense) b) projected salary increases of 3.75%. The assumptions did not include a cost-of-living allowance for active, disabled, or retired members and c) and an inflation rate of 2.75%

Benefit Changes:

2011: With the passage of House Bill 2132 benefits are not assumed to increase due to future ad hoc cost-of-living increases.

Under HB1010, the retirement age for judges taking office on or after January 1, 2012, increases from the current age 65 to age 67 with eight years of service. In addition, the current Rule of 80 or age 60 changes to age 62 with 10 or more years of service.

SB 782 amends 62 O.S § 3109 to move the deadline for completion of an actuarial investigation from November 1 to December 1. The final bill deletes the requirement that the state pension systems submit reports annually to the Pension Commission using standard actuarial assumptions.

2009: Effective July 1, 2009, SB212 provides that the funded ratio of the URSJJ should be at or near 90%. The bill also authorizes the Board of Trustees of the Oklahoma Public Employees Retirement System to establish and adjust the employer contribution rate annually up to the actuarially required contribution rate. If the increase to the full actuarially required contribution rate is in excess of three percent (3%), the Board may adopt a plan to raise the rate to the actuarially required contribution rate over a period of up to five (5) years. The Board may consider the availability of funds to the Administrative Director of the Courts, the Court of Civil Appeals, the Court of Criminal Appeals, and the Workers' Compensation Court in establishing the annual contribution rate.

HB1254 provides for a payment of \$6 million, in addition to the regular employer contributions, to be paid into the URSJJ for the fiscal year ending June 30, 2010.

2008: HB3112 was passed by the 2008 Oklahoma Legislature and included a four percent (4%) COLA for members who were retired as of June 30, 2007, and still receiving a benefit as of July 1, 2008.

Changes in Actuarial Assumptions:

July 1, 2017 valuation: Decreased investment return from 7.25% to 7.00%. Projected salary increases decreased from 5.00% to 3.75%. Inflation rate decreased from 3.00% to 2.75%

July 1, 2016 valuation: Decreased the investment return from 7.5% to 7.25%

July 1, 2014 valuation: Salary scale assumption was decreased. Retirement rates were adjusted.

July 1, 2011 valuation: Salary increase assumption was revised. Payroll increase assumption was revised.

July 1, 2008 valuation: Inflation assumption was increased from 2.5% to 3.0%. Investment return was increased from 7.25% to 7.5%. General wage growth assumption was set at 4.25%. Retirement rates were increased for ages before 65 and rates were lowered for ages above 67. Post-retirement mortality was changed to RP-2000 Combined Active/Retired Healthy Mortality Table projected to 2010, setback one year. Amortization methodology was changed for the unfunded actuarial accrued liability from level dollar to level percent of payroll. The Board reset the amortization period to 20 years from July 1, 2007. The previous amortization period was 40 years from July 1, 1987.

Cost Sharing Pension Plans

A. Component Units

Schedule of Related Ratios
Oklahoma Firefighters Pension and Retirement System
 Last Three Fiscal Years
 (Expressed in thousands)

	2016	2015	2014
Plan fiduciary position as a percentage of the total pension liability	64.87%	68.27%	68.12%
Covered payroll	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered payroll	446.50%	392.34%	378.66%
State portion of net pension liability	\$ -	\$ -	\$ -
State employer portion of net pension liability	0%	0%	0%

Schedule of Contributions
Oklahoma Firefighters Pension and Retirement System
 Last Three Fiscal Years
 (Expressed in thousands)

	2017	2016	2015
Contractually required employer contributions	\$ -	\$ -	\$ -
Statutorily required employer contributions	88,134	92,330	91,236
Total required contributions	88,134	92,330	91,236
Actual employer contribution	-	-	-
State of Oklahoma, non employer contributions	88,134	92,330	91,236
Total Contributions	88,134	92,330	91,236
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer portion of net pension liability	0.00%	0.00%	0.00%
Covered payroll	\$ -	\$ -	\$ -
Actual contributions as a percentage of covered payroll	N/A	N/A	N/A

Notes to Schedule:

GASB Statement 68 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement 68 and is the latest available at the date of publication.

Benefit Changes:

2016: SB 1021 modified the termination date of local boards. The termination date was extended from December 31, 2000, to December 31, 2016.

SB 1022 clarified certain forms of payments made to members of the Oklahoma Firefighters Pension and Retirement System.

2015: HB 2005 prevents any volunteer firefighter who begins service on or after age 45 from becoming a participant in the Oklahoma Firefighters Pension and Retirement System.

HB 1002 directs the Oklahoma Firefighters Pension and Retirement System Board of Trustees to use IRS guidelines to determine if a potential rollover from another system may be rolled into the Oklahoma Firefighters Pension and Retirement System. The Board is required to use IRS guidelines to determine the taxable portion of a distribution from the System.

2013: HB 2078 and SB 1101 made certain changes to the benefits of members hired on or after November 1, 2013, including the following:

- Increased the eligibility to retire to age 50 with 22 years of service.
- Increased the eligibility for a vested benefit to 11 years.
- Changed the interest earned to DROP accounts to be the rate earned by System assets, less one percentage point, once the member has left active DROP.

Changes in Actuarial Assumptions:

July 1, 2013 Valuation:

- The retirement, disability, and withdrawal rates were changed.
- The salary increase assumption was changed.
- The mortality rates were changed.

July 1, 2011 Valuation:

- No assumption for future ad-hoc cost-of-living adjustments due to the adoption of the Oklahoma Pension Legislation Actuarial Analysis Act.

Changes in Actuarial Funding Methods:

2013: HB 2078 increased the amount of gross salary contributed by paid firefighters from 8% to 9%, effective November 1, 2013. In addition, the bill increased the amount of gross salary contributed by municipalities and fire districts from 13% to 14%, effective November 1, 2013. The bill also increased the portion of statewide insurance premium tax allocated to the System from 34% to 36%.

Schedule of Related Ratios
Oklahoma Public Employees Retirement System
Last Three Fiscal Years
(Expressed in thousands)

	2016	2015	2014
Plan fiduciary position as a percentage of the total pension liability	89.48%	96.00%	97.90%
Covered payroll	\$ 1,443,199	\$ 1,391,397	\$ 1,359,348
Net pension liability as a percentage of covered payroll	54.85%	20.62%	10.83%
State portion of net pension liability	\$ 793,756	\$ 286,962	\$ 147,158
State employer portion of net pension liability	79.99%	79.78%	80.17%

Schedule of Contributions
Oklahoma Public Employees Retirement System
Last Three Fiscal Years
(Expressed in thousands)

	2017	2016	2015
Contractually required employer contribution	\$ 269,511	\$ 296,249	\$ 292,197
Actual employer contribution	269,511	296,249	292,197
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer portion of net pension liability	79.99%	79.78%	80.17%
Covered payroll	\$ 1,432,469	\$ 1,443,199	\$ 1,391,397
Actual contributions as a percentage of covered payroll	18.81%	20.53%	21.00%

Notes to Schedule:

GASB Statement 68 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement 68 and is the latest available at the date of publication.

Covered payroll beginning in 2017 is for the defined benefit plan members only although employer contributions toward the net pension liability are being received on behalf of defined contribution plan members.

2017 was the first year to exclude health insurance subsidy.

Benefit Changes: Information to present a 10-year history is not readily available

Changes in Actuarial Assumptions: Information to present a 10-year history is not readily available

Schedule of Related Ratios
Oklahoma Police Pension and Retirement System
Last Three Fiscal Years
(Expressed in thousands)

	2016	2015	2014
Plan fiduciary position as a percentage of the total pension liability	93.50%	99.82%	101.53%
Covered payroll	\$ 862	\$ 632	\$ 608
Net pension liability as a percentage of covered payroll	51.67%	1.38%	(11.63%)
State portion of net pension liability	446	12	(72)
State Employer portion of NPL	0.29%	0.29%	0.21%

Schedule of Contributions
Oklahoma Police Pension and Retirement System
Last Three Fiscal Years
(Expressed in thousands)

	2017	2016	2015
Contractually required employer contributions	\$ 113	\$ 112	\$ 173
Statutorily required employer contributions	34,283	35,915	35,490
Total required contributions	34,396	36,027	35,663
Actual employer contribution	113	112	173
State of Oklahoma, non employer contributions	34,283	35,915	35,490
Total contributions	34,396	36,027	35,663
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer portion of net pension liability	0.29%	0.29%	0.21%
Covered payroll	\$ 871	\$ 862	\$ 632
Actual contributions as a percentage of covered payroll	3947.35%	4179.47%	5642.88%

Notes to Schedule:

GASB Statement 68 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement 68 and is the latest available at the date of publication.

Benefit Changes: Information to present a 10-year history is not readily available

2016: HB2273 amends the computation of final average salary to be based specifically on paid base salary in which required contributions have been made. Amends and clarifies the definition of paid base salary, including its components and exclusions. Adds additional language regarding the purchase of transferred credited service to comply with IRS rules regarding the use of Roth and non-Roth type accounts.

2015: SB345 authorizes the Oklahoma Police Pension and Retirement System Board of Trustees to adopt rules for computation of the purchase price for transferred service credit and the purchase methods available, including time periods available to complete the purchase; additional required language regarding distributions necessary for the System to remain an IRS qualified plan.

Changes in Actuarial Assumptions: Information to present a 10-year history is not readily available

Schedule of Related Ratios
Teachers Retirement System
Last Three Fiscal Years
(Expressed in thousands)

	2016	2015	2014
Plan fiduciary position as a percentage of the total pension liability	62.24%	70.31%	72.43%
Covered payroll	\$ 1,111,204	\$ 1,079,239	\$ 1,070,909
Net pension liability as a percentage of covered payroll	199.19%	140.65%	125.85%
State portion of net pension liability	\$ 2,248,905	\$ 1,611,824	\$ 1,347,638
State employer portion of net pension liability	26.84%	26.42%	24.88%

Schedule of Contributions
Teachers Retirement System
Last Three Fiscal Years
(Expressed in thousands)

	2017	2016	2015
Contractually required employer contributions	\$ 106,483	\$ 108,240	\$ 184,726
Statutorily required employer contributions	301,952	315,672	336,391
Total required contributions	408,435	423,912	521,117
Actual employer contribution	106,483	108,240	184,726
State of Oklahoma, non employer contributions	301,952	315,672	336,391
Total Contributions	408,435	423,912	521,117
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer portion of net pension liability	26.84%	26.42%	24.88%
Covered payroll	\$ 1,092,555	\$ 1,111,204	\$ 1,079,239
Actual contributions as a percentage of covered payroll	37.38%	38.15%	48.29%

Notes to Schedule:

GASB Statement 68 requires the information presented in the “Schedules of Required Supplementary Information” cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement 68 and is the latest available at the date of publication.

Benefit Changes:

2011: Senate Bill 377 – changes the eligibility conditions for both normal and early retirement for members hired on or after November 1, 2011. Members will be eligible for normal retirement at the earlier of age 65 with 5 years of service or when their age plus service equals 90 (Rule of 90) with a minimum age of 60. Members will be eligible for early (reduced) retirement at age 60 with 5 years of service.

House Bill 2132- changes the definition of a nonfiscal retirement bill to exclude COLA even if such COLAs are assumed in the annual actuarial valuation.

Senate Bill 782 eliminates the requirement that statewide retirement systems report a second set of actuarial valuation results to the Oklahoma State Pension Commission using specified actuarial assumptions.

2010: House Bill 1935 – Allows a retiree electing one of the optional benefit forms (i.e. not life only) to make a one-time irrevocable change in the benefit option within 60 days of retirement. The beneficiary may not be changed.

Senate Bill 859-allows a retiree who chose a life annuity at retirement to change to Retirement Option 2 or 3 (100% joint survivor annuity and 50% joint survivor annuity, respectively) within a year of marriage.

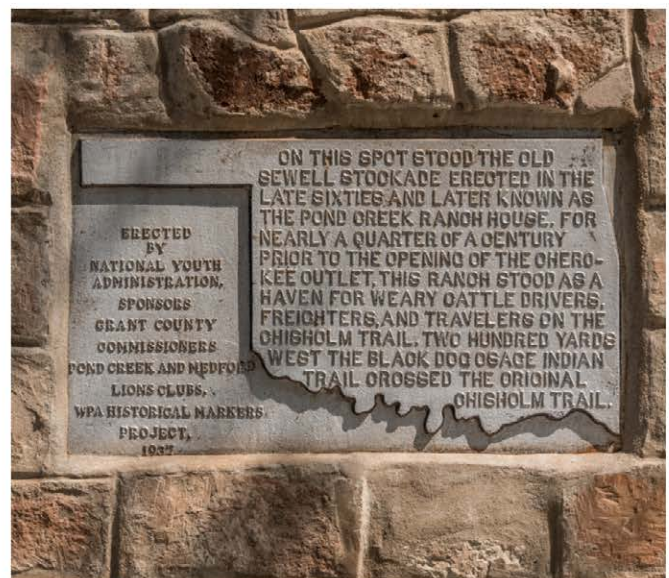
2008: A 2.00% ad hoc COLA was provided, effective July 1, 2008. All retirees who retired before July 1, 2007 were eligible, including disabled retirees, special retirees and beneficiaries receiving payments.

Changes in Actuarial Assumptions:

June 30, 2016 Valuation:

- Inflation rate was decreased from 3% to 2.5%
- Assumed investment return was decreased from 8% to 7.5%
- Wage inflation was decreased from 3.75% to 3.25%
- Payroll growth was decreased from 3.25% to 2.75%

COMBINING FINANCIAL STATEMENTS



COMBINING FINANCIAL STATEMENTS

Description of Fiduciary Funds and Similar Component Units

Fiduciary Funds account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governmental organizations, and/or other funds.

PENSION TRUST FUNDS

The Pension Trust Funds account for the transactions, assets, liabilities, and net position held in a trustee capacity for the benefit of the Plan members.

WILDLIFE CONSERVATION RETIREMENT PLAN

P.O. Box 53465, Oklahoma City, Oklahoma 73152

www.wildlifedepartment.com

This Plan is part of the Primary Government. The Plan accounts for transactions, assets, liabilities, and net position available for payment of plan benefits to employees of the Department of Wildlife Conservation.

The State of Oklahoma has six Public Employee Retirement Systems (PERS) that meet the definition of a component unit, but are presented with the fiduciary funds of the state:

OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT SYSTEM

6601 Broadway Ext. Suite 100, Oklahoma City, Oklahoma 73105

www.ok.gov/fprs

The System provides retirement benefits for municipal firefighters in the State of Oklahoma.

OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

421 NW 13th St., Suite 100, Oklahoma City, Oklahoma 73103

www.olars.state.ok.us

The System provides retirement benefits for qualified law enforcement officers in the State of Oklahoma.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

P.O. Box 53007, Oklahoma City, Oklahoma 73152

www.opers.ok.gov

The System administers the Oklahoma Public Employee Retirement Plan, which provides retirement benefits for state, county and local employees in the State of Oklahoma.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

P.O. Box 53007, Oklahoma City, Oklahoma 73152

www.opers.ok.gov

The System provides retirement benefits for justices and judges in the State of Oklahoma.

OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

1001 N.W. 63rd Street, Suite 305, Oklahoma City, Oklahoma 73116

www.ok.gov/opprs

The System provides retirement benefits for police officers employed by participating municipalities in the State of Oklahoma.

TEACHERS RETIREMENT SYSTEM OF OKLAHOMA

P.O. Box 53524, Oklahoma City, Oklahoma 73152

www.ok.gov/trs

The System provides retirement allowances and benefits for qualified persons employed by state-supported educational institutions in the State of Oklahoma.

AGENCY FUNDS

Agency Funds account for the receipt and disbursement of various moneys and property collected by the state, acting in the capacity of an agent, for distribution to non-state parties.

Taxes Held for Outside Entities is maintained by the Oklahoma Tax Commission to account for taxes: (1) being held for distribution to county and city governments, (2) to cover anticipated tax refunds, (3) paid conditionally on an increase in gross value of oil and/or gas sold by a producer waiting on approval or settlement of an appeal, and (4) that have been intercepted by the Tax Commission to be disbursed to claimants.

Funds Held in Escrow are moneys held in an account until certain conditions or requirements are met. These include: (1) Cash Performance Bonds maintained by the Department of Mines until mining is complete and reclamation meets specifications, (2) Unlocated Mineral Owner's Fund maintained by the Corporation Commission (3) Workers' Compensation Claims Under Appeal maintained by the Workers' Compensation Court, (4) Unsettled Premium Tax Suits, an escrow account maintained by the Oklahoma Insurance Department for depositing of protested taxes and/or fees imposed under Oklahoma law, (5) Other moneys accounted for by the State Department of Health for bond requirements for disposal sites, by the Department of Public Safety for the retention and refund of financial responsibility security amounts and sign deposits for motor vehicle inspection stations, (6) Funds in escrow at the Attorney General's Office received as a result of litigation.

Assets Held for Beneficiaries are moneys maintained for: (1) clients in institutions under the jurisdiction of the Office of Juvenile Affairs (OJA), Department of Human Services (DHS), the Department of Corrections (DOC), the Department of Veterans Affairs, and the Department of Mental Health, (2) DHS custodial parents from the collection from absent parents, and (3) DHS clients placed in agency custody.

Other is moneys accounted for (1) by the Department of Human Capital Management for the Office of Management and Enterprise Services (OMES) for payment of employee claims against SoonerFlex flexible spending accounts, (2) deposits held by Capital Asset Management of OMES for bid process documents, (3) donations held by the District Attorney's Council for the Murrah Crime Victims Compensation Fund, (4) funds held by the Department of Transportation which had accrued to its former health insurance rate stabilization account and is being returned to the accounts contributors.

State of Oklahoma
Combining Statement of Fiduciary Net Position
Pension Trust Funds (Including Similar Component Units)

June 30, 2017
(expressed in thousands)

	Primary Government	Fiduciary Component Units						
	Wildlife Conservation Retirement Plan	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	Teachers Retirement System of Oklahoma	Total
Assets								
Cash/Cash Equivalents	\$ 2,897	\$ 57,634	\$ 20,353	\$ 119,196	\$ 6,033	\$ 32,732	\$ 296,543	\$ 535,388
Investments, at fair value								
Equity Securities	67,642	1,498,694	548,457	3,059,861	220,460	1,367,920	9,516,828	16,279,862
Governmental Securities	32,097	35,750	60,998	2,133,728	73,449	23,529	1,494,438	3,853,989
Debt Securities	3,846	280,086	199,921	962,664	31,382	357,311	1,892,184	3,727,394
Mutual Funds	2,499	0	0	3,192,821	0	0	0	3,195,320
Other Investments	0	620,194	119,730	12,100	0	603,487	2,256,362	3,611,873
Securities Lending Investments	0	76,510	75,294	639,985	16,331	0	1,699,985	2,508,105
Interest and Investment Revenue Receivable	0	3,735	957	19,257	434	2,966	56,209	83,558
Contributions Receivable:								
Employer	0	1,064	0	4,225	0	1,794	25,896	32,979
Employee	0	671	585	1,242	0	1,101	16,406	20,005
Due from Broker	0	0	0	318,210	9,922	2,010	104,837	434,979
Due from Component Units	0	0	0	850	0	0	0	850
Due from Other Funds	0	19,331	4,438	8,954	627	7,518	31,549	72,417
Capital Assets, Net	0	1,069	0	379	0	0	4,293	5,741
Other Assets	0	0	1	314	0	0	0	315
Total Assets	<u>108,981</u>	<u>2,594,738</u>	<u>1,030,734</u>	<u>10,473,786</u>	<u>358,638</u>	<u>2,400,368</u>	<u>17,395,530</u>	<u>34,362,775</u>
Liabilities								
Accounts Payable and Accrued Liabilities	0	3,816	468	0	0	570	0	4,854
Securities Lending Payable	0	76,510	75,294	639,985	16,331	0	1,699,985	2,508,105
Due to Broker	0	4,805	15,180	604,275	21,153	1,214	219,402	866,029
Due to Other Funds	0	2	0	26	0	0	15	43
Benefits in the Process of Payment	0	0	297	0	0	3,086	0	3,383
Other Liabilities	0	133	150	0	0	117	12,795	13,195
Total Liabilities	<u>0</u>	<u>85,266</u>	<u>91,389</u>	<u>1,244,286</u>	<u>37,484</u>	<u>4,987</u>	<u>1,932,197</u>	<u>3,395,609</u>
Net Position Restricted for								
Employees' Pension Benefits	<u>\$ 108,981</u>	<u>\$ 2,509,472</u>	<u>\$ 939,345</u>	<u>\$ 9,229,500</u>	<u>\$ 321,154</u>	<u>\$ 2,395,381</u>	<u>\$ 15,463,333</u>	<u>\$ 30,967,166</u>

State of Oklahoma
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds (Including Similar Component Units)
For the Fiscal Year Ended June 30, 2017
(expressed in thousands)

	Primary Government	Fiduciary Component Units						
	Wildlife Conservation Retirement Plan	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	Teachers Retirement System of Oklahoma	Total
Additions								
Contributions								
Employer Contributions	\$ 4,780	\$ 40,326	\$ 9,262	\$ 288,339	\$ 6,191	\$ 38,887	\$ 403,257	\$ 791,042
Employee Contributions	633	25,236	6,832	70,276	2,664	23,916	292,949	422,506
Other Contributions	0	88,134	21,842	0	0	34,283	301,952	446,211
Total Contributions	5,413	153,696	37,936	358,615	8,855	97,086	998,158	1,659,759
Investment Income								
Net Appreciation in Fair Value of Investments	9,169	292,074	97,963	925,746	34,368	241,989	1,685,144	3,286,453
Interest and Investment Revenue	1,829	25,001	13,378	137,279	2,489	14,881	391,892	586,749
	10,998	317,075	111,341	1,063,025	36,857	256,870	2,077,036	3,873,202
Less: Investment Expenses	201	14,908	4,821	13,410	214	14,455	68,839	116,848
Net Investment Income	10,797	302,167	106,520	1,049,615	36,643	242,415	2,008,197	3,756,354
Total Additions	16,210	455,863	144,456	1,408,230	45,498	339,501	3,006,355	5,416,113
Deductions								
Administrative and General Expenses	6,314	2,388	1,083	5,397	155	1,699	4,055	21,091
Benefit Payments and Refunds	53	199,762	57,612	608,912	17,916	144,092	1,353,070	2,381,417
Total Deductions	6,367	202,150	58,695	614,309	18,071	145,791	1,357,125	2,402,508
Net Increase	9,843	253,713	85,761	793,921	27,427	193,710	1,649,230	3,013,605
Net Position Reserved for Employees' Pension Benefits								
Beginning of Year (as restated)	99,138	2,255,759	853,584	8,435,579	293,727	2,201,671	13,814,103	27,953,561
End of Year	\$ 108,981	\$ 2,509,472	\$ 939,345	\$ 9,229,500	\$ 321,154	\$ 2,395,381	\$ 15,463,333	\$30,967,166

State of Oklahoma
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2017
(expressed in thousands)

	<u>Taxes Held for Outside Entity</u>	<u>Assets Held in Escrow</u>	<u>Assets Held for Beneficiaries</u>	<u>Other</u>	<u>Total</u>
Assets					
Cash/Cash Equivalents	\$ 524,497	\$ 76,371	\$ 8,211	\$ 47,332	\$ 656,411
Accounts Receivable	0	34	7	0	41
Inventory	0	0	0	7,501	7,501
Total Assets	<u>524,497</u>	<u>76,405</u>	<u>8,218</u>	<u>54,833</u>	<u>663,953</u>
Liabilities					
Accounts Payable	0	40	657	0	697
Tax Refunds Payable	105,639	0	0	0	105,639
Deferred Revenue	0	0	1	0	1
Due to Others	418,858	76,365	7,560	54,833	557,616
Total Liabilities	<u>\$ 524,497</u>	<u>\$ 76,405</u>	<u>\$ 8,218</u>	<u>\$ 54,833</u>	<u>\$ 663,953</u>

State of Oklahoma
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2017
(expressed in thousands)

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Taxes Held for Outside Entities				
Assets				
Cash/Cash Equivalents	\$ 387,247	\$ 1,204,923	\$ 1,067,673	\$ 524,497
Total Assets	<u>387,247</u>	<u>1,204,923</u>	<u>1,067,673</u>	<u>524,497</u>
Liabilities				
Tax Refunds Payable	84,514	105,639	84,514	105,639
Due to Others	<u>302,733</u>	<u>1,099,284</u>	<u>983,159</u>	<u>418,858</u>
Total Liabilities	<u>387,247</u>	<u>1,204,923</u>	<u>1,067,673</u>	<u>524,497</u>
Funds Held in Escrow				
Assets				
Cash/Cash Equivalents	79,451	12,307	15,387	76,371
Accounts Receivable	<u>9</u>	<u>34</u>	<u>9</u>	<u>34</u>
Total Assets	<u>79,460</u>	<u>12,341</u>	<u>15,396</u>	<u>76,405</u>
Liabilities				
Accounts Payable	17	40	17	40
Due to Others	<u>79,443</u>	<u>12,301</u>	<u>15,379</u>	<u>76,365</u>
Total Liabilities	<u>79,460</u>	<u>12,341</u>	<u>15,396</u>	<u>76,405</u>
Assets Held for Beneficiaries				
Assets				
Cash/Cash Equivalents	7,632	441,463	440,884	8,211
Investments	85	0	85	0
Accounts Receivable	<u>8</u>	<u>7</u>	<u>8</u>	<u>7</u>
Total Assets	<u>7,725</u>	<u>441,470</u>	<u>440,977</u>	<u>8,218</u>
Liabilities				
Accounts Payable	757	657	757	657
Deferred Revenue	4	1	4	1
Due to Others	<u>6,964</u>	<u>440,812</u>	<u>440,216</u>	<u>7,560</u>
Total Liabilities	<u>7,725</u>	<u>441,470</u>	<u>440,977</u>	<u>8,218</u>
Other				
Assets				
Cash/Cash Equivalents	36,076	20,907	9,651	47,332
Inventory	<u>7,789</u>	<u>7,501</u>	<u>7,789</u>	<u>7,501</u>
Total Assets	<u>43,865</u>	<u>28,408</u>	<u>17,440</u>	<u>54,833</u>
Liabilities				
Due to Others	<u>43,865</u>	<u>28,408</u>	<u>17,440</u>	<u>54,833</u>
Total Liabilities	<u>43,865</u>	<u>28,408</u>	<u>17,440</u>	<u>54,833</u>
Total - All Agency Funds				
Assets				
Cash/Cash Equivalents	510,406	1,679,600	1,533,595	656,411
Investments	85	0	85	0
Accounts Receivable	17	41	17	41
Inventory	<u>7,789</u>	<u>7,501</u>	<u>7,789</u>	<u>7,501</u>
Total Assets	<u>518,297</u>	<u>1,687,142</u>	<u>1,541,486</u>	<u>663,953</u>
Liabilities				
Accounts Payable	774	697	774	697
Tax Refunds Payable	84,514	105,639	84,514	105,639
Deferred Revenue	4	1	4	1
Due to Others	<u>433,005</u>	<u>1,580,805</u>	<u>1,456,194</u>	<u>557,616</u>
Total Liabilities	<u>518,297</u>	<u>1,687,142</u>	<u>1,541,486</u>	<u>663,953</u>

Description of NonMajor Component Units

The State of Oklahoma has seven nonmajor component units which are described below:

OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY

P.O. Box 14190, Oklahoma City, OK 73113

www.oeta.tv

The Authority provides educational television services to all Oklahoma citizens on a coordinated statewide basis.

OKLAHOMA INDUSTRIAL FINANCE AUTHORITY

5900 N. Classen Ct., Oklahoma City, OK 73118

The Authority assists with the state's industrial development by making loans to authorized industrial development agencies or trusts and new or expanding industries within Oklahoma. The loans are financed by issuance of general obligation bonds.

MULTIPLE INJURY TRUST FUND

421 NW 13th Street, Suite 105, Oklahoma City, OK 73103

The Fund provides additional compensation to a worker with a pre-existing injury who suffers a second injury.

UNIVERSITY HOSPITALS AUTHORITY

P.O. Box 26307, Oklahoma City, OK 73126

www.uhatok.com

The Authority consists of The University Hospital and Children's Hospital of Oklahoma. The University Hospital is affiliated with the University of Oklahoma Health Sciences Center. The University Hospital is financed primarily through patient service charges.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY

9220 N. Kelley Ave., Oklahoma City, OK 73118

The Authority provides financing for both public and private entities in the state. The Authority obtains funds through the issuance of bonds and notes.

OKLAHOMA CAPITAL INVESTMENT BOARD

13905 Quail Pointe Drive, Suite A, Oklahoma City, OK 73134

www.ocib.org

The Authority assists the state with industrial development by mobilizing equity and near-equity capital for investment to potential creation of jobs and growth that will diversify and stabilize the economy.

OKLAHOMA STATE UNIVERSITY MEDICAL AUTHORITY

1111 W. 17th Street, Tulsa, OK 74107

www.healthsciences.okstate.edu/osuma

The Authority is charged with overseeing the 50-year Academic Affiliation Agreement signed between Tulsa Regional Medical Center and OSU Center for Health Sciences. The agreement provides for funding, teaching and training facilities to the graduate medical program associated with the Oklahoma State University Center for Health Sciences.

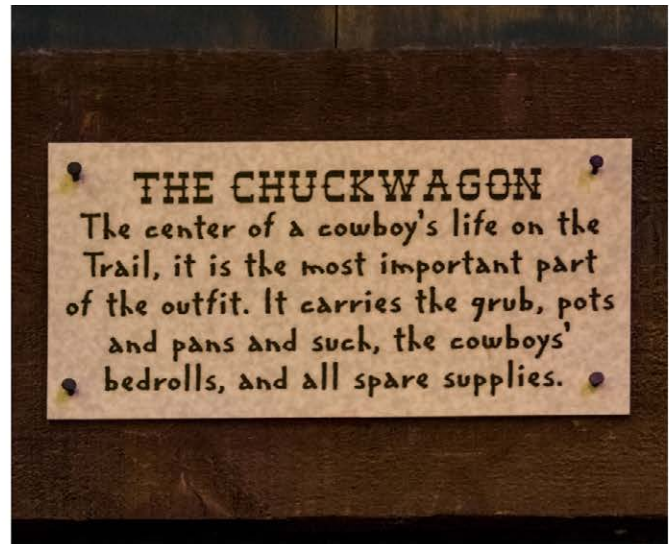
State of Oklahoma
Combining Statement of Net Position
NonMajor Component Units
June 30, 2017
(expressed in thousands)

	Oklahoma Educational Television Authority	Oklahoma Industrial Finance Authority	Multiple Injury Trust Fund	University Hospitals Authority	Oklahoma Development Finance Authority	Oklahoma Capital Investment Board	Oklahoma State Univ. Medical Authority	NonMajor Component Units Total
Assets								
Current Assets								
Cash/Cash Equivalents								
Unrestricted	\$ 6,481	\$ 32,724	\$ 5,674	\$ 96,643	\$ 16,279	\$ 11	\$ 33,878	\$ 191,690
Investments	28,727	0	0	2,345	0	12,024	0	43,096
Accounts Receivable	866	0	0	66,709	0	0	10,879	78,454
Interest and Investment								
Revenue Receivable	30	172	13	11	0	0	0	226
Other Receivables	0	0	0	0	0	0	2,261	2,261
Notes Receivable	0	5,360	0	0	115	0	0	5,475
Due from Other Component Units	0	0	0	0	285	0	261	546
Due from Primary Government	0	0	11,148	17,815	31	0	0	28,994
Prepaid Items	346	0	0	303	0	0	2,767	3,416
Other Current Assets	0	0	0	0	731	0	3,738	4,469
Total Current Assets	36,450	38,256	16,835	183,826	17,441	12,035	53,784	358,627
Noncurrent Assets								
Cash/Cash Equivalents -								
Restricted	2,384	14	0	250	0	0	0	2,648
Investments - Restricted	0	0	0	884	32	0	0	916
Long-Term Notes Receivable, Net	0	3,698	0	0	29	0	0	3,727
Long-Term Investments-Unrestricted	0	16,198	0	0	0	0	0	16,198
Capital Assets								
Depreciable, Net	9,948	39	22	295,469	1,269	0	33,086	339,833
Land	26	75	0	4,009	286	0	0	4,396
Construction in Progress	0	0	0	3,738	0	0	121	3,859
Other Noncurrent Assets								
Unrestricted	0	0	0	20,071	0	0	308	20,379
Restricted	0	0	0	36	0	0	0	36
Total Noncurrent Assets	12,358	20,024	22	324,457	1,616	0	33,515	391,992
Total Assets	48,808	58,280	16,857	508,283	19,057	12,035	87,299	750,619
Deferred Outflows								
Advance Refunding of Bonds	0	42	0	0	0	0	0	42
Deferred Outflows from Pensions	1,249	288	0	877	0	0	0	2,414
Total Deferred Outflows	1,249	330	0	877	0	0	0	2,456
Liabilities								
Liabilities								
Current Liabilities								
Accounts Payable and								
Accrued Liabilities	161	0	42	79,021	526	0	8,753	88,503
Claims and Judgments	0	0	37,833	0	0	0	0	37,833
Interest Payable	0	167	232	0	0	82	0	481
Unearned Revenue	0	0	0	90	141	0	0	231
Due to Fiduciary Funds	0	0	0	21	0	0	0	21
Due to Primary Government	0	0	2	0	0	0	0	2
Capital Leases	0	0	0	0	0	0	230	230
Compensated Absences	165	57	81	200	0	0	0	503
Notes Payable	0	0	2,050	0	0	0	1,974	4,024
Revenue Bonds	0	0	0	1,475	0	0	0	1,475
Other Current Liabilities	10	14,848	0	0	319	14,814	7,874	37,865
Total Current Liabilities	336	15,072	40,240	80,807	986	14,896	18,831	171,168
Noncurrent Liabilities								
Claims and Judgments	0	0	386,295	0	0	0	0	386,295
Net Pension Liability	1,087	241	0	736	0	0	0	2,064
Compensated Absences	118	0	0	0	0	0	0	118
Notes Payable	0	0	11,199	0	0	0	8,792	19,991
General Obligation Bonds	0	40,000	0	0	0	0	0	40,000
Capital Leases	0	0	0	0	0	0	555	555
Revenue Bonds	0	0	0	42,390	9,999	0	0	52,389
Unamortized Premium (Discount)	0	0	0	(96)	0	0	0	(96)
Other Noncurrent Liabilities	0	0	0	0	0	0	2,969	2,969
Total Noncurrent Liabilities	1,205	40,241	397,494	43,030	9,999	0	12,316	504,285
Total Liabilities	1,541	55,313	437,734	123,837	10,985	14,896	31,147	675,453
Deferred Inflows of Resources								
Deferred Inflows from Pensions	454	85	0	260	0	0	0	799
Total Deferred Inflows	454	85	0	260	0	0	0	799
Net Position								
Net Investment in Capital Assets	9,974	0	0	259,446	1,556	0	21,204	292,180
Restricted for:								
Other Special Purpose								
Expendable	2,390	14	0	1,170	0	0	4,000	7,574
Unrestricted	35,698	3,198	(420,877)	124,447	6,516	(2,861)	30,948	(222,931)
Total Net Position	\$ 48,062	\$ 3,212	\$ (420,877)	\$ 385,063	\$ 8,072	\$ (2,861)	\$ 56,152	\$ 76,823

State of Oklahoma
Combining Statement of Activities
NonMajor Component Units
For the Fiscal Year Ended June 30, 2017
(expressed in thousands)

		Program Revenues				General Revenue				
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue		Payments from Primary Government	Change in Net Asset	Net Position Beginning of Year	Net Position End of Year	
Nonmajor Component Units:										
Oklahoma Educational Television Authority	\$ 11,885	\$ 8,745	\$ 2,019	\$ (1,121)	\$ 2,906	\$ 1,785	\$ 46,277	\$ 48,062		
Oklahoma Industrial Finance Authority	1,407	1,404	0	(3)	0	(3)	3,215	3,212		
Multiple Injury Trust Fund	72,945	160	0	(72,785)	49,188	(23,597)	(397,280)	(420,877)		
University Hospitals Authority	248,292	227,188	0	(21,104)	35,661	14,557	370,506	385,063		
Oklahoma Development Finance Authority	1,008	1,273	0	265	0	265	7,807	8,072		
Oklahoma Capital Investment Board	876	1,144	0	268	0	268	(3,129)	(2,861)		
Oklahoma State Univ. Medical Authority	154,086	138,003	4,806	(11,277)	18,966	7,689	48,463	56,152		
Total NonMajor Component Units	<u>\$ 490,499</u>	<u>\$ 377,917</u>	<u>\$ 6,825</u>	<u>\$ (105,757)</u>	<u>\$ 106,721</u>	<u>\$ 964</u>	<u>\$ 75,859</u>	<u>\$ 76,823</u>		

OTHER SUPPLEMENTARY INFORMATION



OTHER SUPPLEMENTARY INFORMATION



Oklahoma State Auditor & Inspector

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO THE GOVERNOR AND MEMBERS OF THE LEGISLATURE OF THE STATE OF OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 21, 2017, which included an emphasis paragraph on the Multiple Injury Trust Fund for a net deficit related primarily to court awards that exceeded the apportionment of special tax revenue collected. Our report includes a reference to other auditors who audited:

- the financial statements of the Water Resources Board which represent fifty percent of the assets, thirty-three percent of the net position and three percent of the revenues of the proprietary funds;
- the financial statements of the Oklahoma Municipal Power Authority, University of Oklahoma, University of Oklahoma – Health Sciences Center, Oklahoma State University – Foundation, Grand River Dam Authority, Oklahoma State University, Oklahoma Turnpike Authority, University of Oklahoma – Foundation, the Regents for Higher Education, and the Regional University System of Oklahoma which in the aggregate represent eighty-four percent of the assets, ninety-one percent of the net position and seventy-nine percent of the revenues for the aggregate discretely presented component units;
- the financial statements of the Commissioners of the Land Office permanent fund, and the Tobacco Settlement Endowment permanent fund, which in the aggregate represent ninety-eight percent of the assets, ninety-eight percent of the fund balance and ninety-nine percent of the revenues of the permanent funds;
- the financial statements of the Oklahoma Public Employees Retirement System, the Oklahoma Teachers Retirement System, and the Oklahoma Firefighters Pension and Retirement System which in the aggregate represent eighty-seven percent of the assets, eighty-eight percent of the net position and ninety percent of the additions of the aggregate remaining fund information;
- the financial statements of the Insurance Department, Department of Wildlife, Department of Commerce, and Oklahoma Capital Improvement Authority which in the aggregate represent seventeen percent of the assets, twenty-three percent of the fund balance and three percent of the revenues of the general fund.

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Oklahoma's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or

significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. (17-090-006 and 17-340-012)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. (17-807-004 and 17-340-008)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses. (17-340-012)

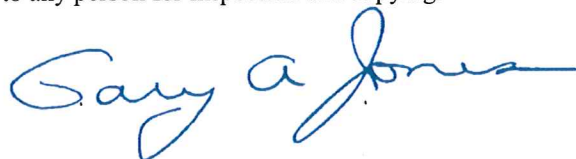
State of Oklahoma's Response to Findings

The State of Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The State of Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also a public document pursuant to the Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink, reading "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent part.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

December 21, 2017

Schedule of Findings and Responses

Reference Number: 17-090-006

State Agency: Office of Management and Enterprise Services (OMES)

Fund Type: General Fund

Other Information: Cash; Revenue; Fund Balance

Criteria: The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 10.03 states, in part, "Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information.

A component objective of an effective internal control system is to ensure accurate and reliable information through a proper review and approval process.

Condition: The Office of Management and Enterprise Services failed to record the general fund clearing account (1695) cash for the Oklahoma Tax Commission as presented on the Generally Accepted Accounting Principles (GAAP) Package S-1.

Cause: The review by OMES of the GAAP Package S-1 was not adequate to ensure that all general and agency fund clearing account cash was properly recorded.

Effect: OMES failure to record the modified accrual entry for general fund clearing account cash resulted in an understatement of cash/revenue totaling \$460,289,000. However, OMES did record the agency fund portion of the clearing account cash correctly.

Recommendation: We recommend the agency continue to work on strengthening their review process by ensuring all relevant amounts on the GAAP Packages are properly supported and then recorded.

Agency Management Response: OMES agrees that the recording of the cash in this clearing account has been incorrect in past years. The error initiated in FY 2010 when the former Office of State Finance was using software that had limited analytical capabilities. Subsequent to that error, staff turnover and a review of prior year calculations as a model contributed to the error going unnoticed in future years by OMES and the State Auditor. The proper entries have been made to restate the cash balances for FY16 and prior years and the FY2017 cash balance has been properly reported.

The effect to cash is as stated in the finding. The understatement to revenues would have primarily affected the FY2010 report and in subsequent years would have only been equal to the change in June collections between each subsequent year and would not be considered material.

The understatement of cash, while material to the CAFR, has not affected appropriations or the General Revenue Fund estimates. For appropriations and GRF estimates, OMES uses the actual cash on hand at the end of the month plus the prior month collections reported by the Oklahoma Tax Commission.

We now have the technological ability to compare prior year balances much more thoroughly so that if what happened in 2010 happened today, it would be discovered through the analytical tools currently available. In addition, the Financial Reporting Unit within OMES will evaluate the procedures for strengthening the review of GAAP packages to ensure that every item is supported and recorded as appropriate.

Auditor Response: The audit of the financial statements is only one piece of the checks and balances designed to ensure proper reporting. Internal controls over financial reporting, although reviewed by the auditor, is a formal system of checks and balances, monitored by management. The auditor does not take responsibility for the financial statements on which they form an opinion; the auditor plans and performs the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. The responsibility for internal control and financial statement preparation lies with management. Management should periodically re-evaluate the internal control structure in place and monitor it on an ongoing basis.

Reference Number: 17-340-008

State Agency: Oklahoma State Department of Health

Fund Type: General Fund

Other Information: Payroll Expenditures

Criteria: A basic objective of Generally Accepted Accounting Principles is to provide accurate and reliable information. Furthermore, an effective internal control system provides for adequate review and approval of expenditure related transactions and record keeping functions.

According to OMES GAAP Conversion Manual, the CAFR presents a liability for any goods and services received but for which no payment has been made on June 30.

Also, per the Statewide Accounting Manual, 50.10.05 General Information and Prohibited Acts (C). "The following acts are prohibited: 1. Payment of prior fiscal year expenditures with current year appropriated class fundings and payment of current fiscal year expenditures with prior fiscal year appropriated class fundings, without specific statutory authority."

Condition: During our testing of payroll procedures, we noted:

- When determining whether the agency's timesheet review and approval control was properly designed and implemented, we noted one timesheet that was not reviewed and approved by an employee's supervisor prior to the associated payroll being completed. Per OSDH procedures, in such cases the employee is paid with state funding and then adjusted to proper funding sources once the timesheet is approved. We noted that the portion of the payroll covering that employee was included as part of payroll not posted. Therefore, we were unable to verify the funding source of the employee's payroll indicating the control was not properly implemented.
- As part of procedures to ensure that the expenditures per the agency's internal system (FISCAL) and the Statewide Accounting System agreed, we noted an approximate variance of \$9,148,181 between the payroll accounts (511, 512, 513, and 519) in the two systems. We also noted that as of 6/28/2017, approximately \$9,124,392 of the agency's payroll expenditures were not posted in FISCAL as indicated on OSDH's *Payroll Not Posted* spreadsheet but had been posted in the Statewide Accounting System.
- Finally, while testing OSDH accrued payroll we noted an adjustment of approximately \$2.5 million had been made in the Statewide Accounting System moving payroll expenditures applicable to FY17 to FY18 by OSDH on 8/21/2017. However, OMES obtained the data for the entry from the Statewide Accounting System prior to the adjustment; therefore, no effect was noted for the amounts presented in the CAFR.

Cause: Agency personnel are not following established accounting procedures to ensure timesheets are reviewed and approved prior to payroll completion and payroll is posted to FISCAL in a timely manner.

The pay period for the adjusted payroll was from 6/25/17 to 7/8/17 which falls in two separate state fiscal years. OSDH procedure (not in accordance with GAAP) was to record payroll to the fiscal year in which the pay period ended. Based on that procedure, they made an adjustment to move the entire pay period costs for this payroll to FY18 since the pay period ended 7/8/17.

Effect: The agency's internal controls over timesheet approval and the posting of payroll expenditures into their internal system are not operating effectively, which could lead to inaccurate fund balances and paying employees with incorrect funding sources.

Accrued payroll could be misstated since services were received by OSDH on or before 6/30/17 but were recorded to the FY18 budget reference. In addition, accurate information may not be available for management decisions.

Recommendation: We recommend that OSDH review their processes related to timesheet approval and the posting of payroll in the FISCAL system to ensure it is posted accurately and in a timely manner. In addition, OSDH should ensure that any payroll not posted to their internal system is investigated and resolved/posted prior to the completion of the subsequent payroll.

We also recommend OSDH make an entry to move the applicable payroll costs back to the FY17 budget reference in the Statewide Accounting System for the payroll noted above. Finally, we recommend OSDH implement procedures to apply payroll to the applicable fiscal year according to the actual days worked rather than the pay period ending date for the FISCAL and the Statewide Accounting System.

Agency Management Response: The OSDH is in the process of strengthening its internal controls platform by implementing a COSO Internal Controls Framework (Committee of Sponsoring Organizations) agency-wide. This process will include, among other things, additional steps and procedures for timesheet approval and the posting of payroll in the FISCAL system.

The OSDH has already approved and begun implementing Agency Policy Number 3-16 "Posting of Payroll" (originated September 2017) which requires verification and posting of the payroll under strict monthly financial reporting requirements and deadlines including proper reconciliation between the mainframe Agency Fiscal System and the Statewide Accounting System.

Finally, the OSDH will use the recently acquired supplemental appropriation funds to make an entry to move the applicable payroll costs back to the FY17 budget reference in the Statewide Accounting System for the payroll noted above. The OSDH will implement the required procedures to apply payroll to the applicable fiscal year according to the actual days worked rather than the pay period ending date for the FISCAL and the Statewide Accounting System by carefully tracking, matching and verifying the correct dates to the appropriate fiscal year.

Reference Number: 17-340-012

State Agency: Oklahoma State Department of Health (OSDH)

Fund Type: General Fund

Criteria: The Statewide Accounting Manual for the State of Oklahoma in paragraph 70.10.01 states, "Management's attitude, actions, and values set the tone of an organization, influencing the control consciousness of its people. Internal controls are likely to function well if management believes that those controls are important and communicates that view to employees at all levels. If management views internal controls as unrelated to achieving its objectives, or even worse, as an obstacle, this attitude will also be communicated."

In addition, GAO *Standards for Internal Control in the Federal Government* states the following:

Paragraph 1.02 – "The oversight body and management demonstrate the importance of integrity and ethical values through their directives, attitudes, and behavior"

Paragraph 1.03 – "...The oversight body and management set the tone at the top and throughout the organization by their example, which is fundamental to an effective internal control system..."

Paragraph 1.04 – "The oversight body's and management's directives, attitudes, and behaviors reflect the integrity and ethical values expected throughout the entity. The oversight body and management reinforce the commitment to

doing what is right, not just maintaining a minimum level of performance necessary to comply with applicable laws and regulations...”

Paragraph 1.05 – “Tone at the top can be either a driver, as shown in the preceding paragraphs, or a barrier to internal control...”

While the GAO *Standards for Internal Control in the Federal Government* are not required to be implemented at the State government level, this criterion can be treated as best practices.

Condition: Senior management’s actions/behaviors were a barrier to adequate internal control at the agency. Senior management exercised excessive and unreasonable control of financial activities within the agency and disregarded information provided by financial staff. Additionally, senior management overrode established internal controls. Finally, by not establishing an appropriate tone at the top, and overriding internal controls, senior management created an environment that was not conducive to ensuring the operations of OSDH were in the best interest of the state. Examples provided by financial management staff, and corroborated with other employees of the agency, include:

- Internal fiscal year closings were not performed
- Submitted budgets were not supported by historical or expected revenue amounts
- Payroll was not fully posted to OSDH’s internal accounting system
- Information provided by senior management to the Board of Health was not transparent, accurate, or timely

The items noted above are currently being investigated further as part of our separate, ongoing special investigative audit.

Cause: Senior management failed to ensure that fundamental aspects of the established internal control structure were maintained.

Effect: Established internal controls over budgeting and financial reporting do not operate effectively when senior management overrides controls, and information provided to an oversight body (the Board of Health) is not accurate and suitable to enable proper oversight of the agency. Such an environment does not foster an atmosphere of openness, transparency, and integrity. When internal controls do not operate effectively, material misstatements may not be prevented or detected in a timely manner during the financial reporting process.

Recommendation: We recommend interim senior management recognize the risks associated with this type of environment and work with the Board of Health towards evaluating and addressing the situation to ensure the mission of the OSDH is accomplished in the most efficient and positive manner possible.

Our separate, special investigative audit is still ongoing and may offer additional recommendations at its conclusion.

Agency Management Response:

The OSDH is in the process of strengthening its internal controls platform by implementing a COSO Internal Controls Framework (Committee of Sponsoring Organizations) agency-wide. This framework will be implemented in an objective fashion, communicated to the Board of Health and maintained in a manner which will not be subject to management override.

The interim Commissioner has directed the agency to develop the standardized internal controls platform for its financial reporting and all financial activities. The internal controls platform will create the basis for a consistent financial reporting environment within acceptable Governmental Accounting Standards Board (GASB) conventions and requirements. There will be continual agency-wide review and assessment of the internal control platform. Through interaction with the Board of Health, the agency’s development, review and enhancement of an independent, comprehensive and sufficiently integrated internal control framework and accountability will be prioritized for the OSDH.

Within the managerial ranks, the Commissioner will provide the required leadership to establish the integrated internal control framework. By instituting the COSO framework for the agency and developing a pathway for its objective

implementation, the Interim Commissioner is establishing a positive “tone at the top” by conducting the agency’s affairs in an ethical manner through inaugurating improved accountability at all levels of the organization.



As detailed within the above graphic, the OSDH COSO framework will overarch and intersect with the OSDH financial reporting and budgeting platforms to clearly address the issues in the recommendation.

Reference Number: 17-807-004

State Agency: Oklahoma Health Care Authority

Fund Type: General Fund

Other Information: Accounts Payable/Expenditures

Criteria/Condition: The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 10.03 states, in part, “Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.”

The GAO Standards for Internal Control in the Federal Government 10.13 states, in part, “Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties.”

Adequate internal controls over access and accountability for resources include (1) limiting access to resources and records to authorized individuals and (2) assigning and maintaining accountability for the custody and use of resources.

Adequate internal controls over separation of duties and supervision include separating key duties and responsibilities in authorizing, processing, recording, and reviewing official agency transactions.

The Independent Service Auditor’s Report on the Service Organization’s System (SOC-1) for the period of September 1, 2015 to August 31, 2016 indicated (1) a segregation of duties control issue related to the organization and administration control objective and related controls for transaction processing; and (2) control issues related to the application, operating system and database development and maintenance and access to data and programs control objectives and related controls for the general computer controls.

The SOC-1 for the period of September 1, 2016 to August 31, 2017 indicated control issues related to the job scheduling and access to data and programs control objectives and related controls for the general computer controls.

Cause/Effect: There was a lack of segregation of duties over the production changes within the application. However, change requests, implemented by developers who promoted their own changes during the period of examination were approved prior to implementation of each change. Lack of segregation of duties over the production changes within the application increases the risk of waste, loss, unauthorized use or misappropriation of State funds.

The Service Organization did not ensure users were restricted only to either development or production access in the job scheduling. Access to both development and production increases the risk of waste, loss, unauthorized use or misappropriation of State funds.

The Service Organization did not ensure active users had appropriate access or terminated users were eliminated from the access to data and programs. Inappropriate user access increases the risk of waste, loss, unauthorized use or misappropriation of State funds.

Recommendation: We recommend the agency continue to follow-up with the service organization and ensure noted deficiencies are addressed and corrective actions noted in the SOC-1 report are implemented in a timely manner.

Agency Management Response: The Oklahoma Health Care Authority will continue our standard process of reviewing the SOC-1 report and following up with the service organization to ensure that effective corrective actions are designed and implemented to address noted deficiencies



STATISTICAL SECTION

**STATISTICAL SECTION
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Using the Statistical Section

The statistical section of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the state's overall financial health. The information is grouped into the following five categories:

Financial Trends – Net Position by Component, Changes in Net Position, Fund Balances, and Changes in Fund Balance

These schedules contain trend information to help the reader understand how the state's financial performance and well-being have changed over time.

Revenue Capacity – Personal Income by Industry, Personal Income Tax Filers and Liability by Adjusted Gross Income, and Tax Collections

These schedules contain information to help the reader assess the ability of the state to generate and collect taxes.

Debt Capacity – Percentage of Annual Debt Service Expenditures for General Bonded Debt to Total Expenditures, Ratios of Outstanding Debt by Type, and Revenue Bond Coverage

These schedules present information to help the reader assess the affordability of the state's current levels of outstanding debt, its ability to issue additional debt in the future, and its ability to repay the outstanding debt.

Demographic and Economic Information – Major Employers by Size, Demographic and Economic Statistics, and School Enrollments

These schedules offer demographic and economic indicators to help the reader understand the environment within which the state's financial activities take place and to help make comparisons over time, and with other governments.

Operating Information – Government Employees by Function, Capital Asset Utilization by Function, Operating Indicators for Governmental Functions, and Additional Information and Sources of Statistical Data

These schedules contain information about the state's operations and resources to help the reader understand how the state's financial information relates to the services the state provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

State of Oklahoma
Schedule of Net Position by Component
Last Ten Fiscal Years
(expressed in thousands)

	2008	2009	2010	2011
Governmental Activities				
Net investment in capital assets	\$ 7,118,384	\$ 7,364,509	\$ 8,148,821	\$ 8,710,430
Restricted	3,368,766	2,268,701	2,492,399	3,647,627
Unrestricted	2,284,063	2,970,902	2,415,428	1,895,301
Total governmental activities net position	<u>12,771,213</u>	<u>12,604,112</u>	<u>13,056,648</u>	<u>14,253,358</u>
Business-type activities				
Net investment in capital assets	771	527	330	202
Restricted	9,019	1,178,940	834,824	867,777
Unrestricted	1,283,673	10,972	8,887	5,346
Total business-type activities net position	<u>1,293,463</u>	<u>1,190,439</u>	<u>844,041</u>	<u>873,325</u>
Primary government				
Net investment in capital assets	7,119,155	7,365,036	8,149,151	8,710,632
Restricted	3,377,785	3,447,641	3,327,223	4,515,404
Unrestricted	3,567,736	2,981,874	2,424,315	1,900,647
Total primary government net position	<u>\$ 14,064,676</u>	<u>\$ 13,794,551</u>	<u>\$ 13,900,689</u>	<u>\$ 15,126,683</u>

State of Oklahoma
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(expressed in thousands)

	2008	2009	2010	2011	2012	2013
General Fund						
Reserved	\$ 758,702	\$ 767,554	\$ 679,812	\$ -	\$ -	\$ -
Unreserved	3,504,990	3,166,157	2,644,239	-	-	-
Nonspendable	-	-	-	64,817	73,539	84,743
Restricted	-	-	-	1,020,229	1,244,592	1,240,573
Committed	-	-	-	2,630,649	2,755,138	2,788,761
Assigned	-	-	-	-	-	1,960
Unassigned	-	-	-	62,301	144,365	133,796
Total General Fund	<u>4,263,692</u>	<u>3,933,711</u>	<u>3,324,051</u>	<u>3,777,996</u>	<u>4,217,634</u>	<u>4,249,833</u>
All Other Governmental Funds						
Reserved	2,052,390	1,906,950	2,232,060	-	-	-
Nonspendable	-	-	-	2,539,403	2,549,833	2,829,731
Restricted	-	-	-	23,294	15,980	12,438
Committed	-	-	-	-	-	-
Assigned	-	-	-	2,928	66,135	60,952
Unassigned	-	-	-	26,355	25,724	39,056
Total All Other Governmental Funds	<u>2,052,390</u>	<u>1,906,950</u>	<u>2,232,060</u>	<u>2,591,980</u>	<u>2,657,672</u>	<u>2,942,177</u>
Total All Governmental Fund Balances	<u>\$ 6,316,082</u>	<u>\$ 5,840,661</u>	<u>\$ 5,556,111</u>	<u>\$ 6,369,976</u>	<u>\$ 6,875,306</u>	<u>\$ 7,192,010</u>

Note: Effective 6/30/11, GASB statement 54 established new fund balance reporting classifications based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Prior year unreserved funds are now labeled unassigned funds. Prior year reserved funds are now separated into in four categories.

2012	2013	2014	2015	2016	2017
\$ 9,276,689	\$ 9,650,570	\$ 9,992,791	\$ 10,425,644	\$ 10,865,784	\$ 11,031,695
3,957,319	4,182,822	4,698,509	4,930,516	4,140,040	4,392,708
2,091,507	2,106,533	2,029,441	1,696,768	1,397,498	1,484,206
<u>15,325,515</u>	<u>15,939,925</u>	<u>16,720,741</u>	<u>17,052,928</u>	<u>16,403,322</u>	<u>16,908,609</u>
126	1,037	1,415	1,914	2,856	2,477
1,102,997	1,353,998	1,573,491	1,601,651	1,468,588	1,423,476
273,981	602,997	636,300	582,633	528,198	532,518
<u>1,377,104</u>	<u>1,958,032</u>	<u>2,211,206</u>	<u>2,186,198</u>	<u>1,999,642</u>	<u>1,958,471</u>
9,276,815	9,651,607	9,994,206	10,427,558	10,868,640	11,034,172
5,060,316	5,536,820	6,272,000	6,532,167	5,608,628	5,816,184
2,365,488	2,709,530	2,665,741	2,279,401	1,925,696	2,016,724
<u>\$ 16,702,619</u>	<u>\$ 17,897,957</u>	<u>\$ 18,931,947</u>	<u>\$ 19,239,126</u>	<u>\$ 18,402,964</u>	<u>\$ 18,867,080</u>

2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -
-	-	-	-
74,278	76,851	80,281	78,555
1,340,771	1,572,465	815,862	790,129
2,632,260	2,634,649	2,445,893	2,245,651
1,777	1,045	609	542
133,796	96,297	25,866	23,338
<u>4,182,882</u>	<u>4,381,307</u>	<u>3,368,511</u>	<u>3,138,215</u>
-	-	-	-
3,226,796	3,228,359	3,212,407	3,508,054
7,417	1,265	5,081	-
53,430	48,967	29,394	41,833
70,096	79,460	77,296	52,692
-	-	-	-
<u>3,357,739</u>	<u>3,358,051</u>	<u>3,324,178</u>	<u>3,602,579</u>
<u>\$ 7,540,621</u>	<u>\$ 7,739,358</u>	<u>\$ 6,692,689</u>	<u>\$ 6,740,794</u>

State of Oklahoma
Changes in Net Position by Component
Last Ten Fiscal Years
(expressed in thousands)

	2008	2009	2010	2011
Expenses				
Governmental Activities:				
Education-General	\$ 3,479,319	\$ 3,548,104	\$ 3,573,881	\$ 3,506,316
Education-Payment to Higher Education	910,385	1,074,409	1,076,248	1,065,225
Government Administration	1,680,106	1,718,794	1,611,256	1,663,883
Health Services	4,214,407	4,542,241	4,750,304	4,866,858
Legal and Judiciary	222,319	230,706	256,867	241,360
Museums	32,164	17,507	14,572	13,539
Natural Resources	249,235	265,197	249,020	257,998
Public Safety and Defense	926,959	951,387	811,999	850,190
Regulatory Services	95,653	130,033	119,044	127,211
Social Services	1,782,333	1,976,556	2,287,486	2,269,749
Transportation	791,993	902,151	842,394	934,272
Interest on Long-Term Debt	74,108	70,026	70,549	100,363
Governmental Activities	14,458,981	15,427,111	15,663,620	15,896,964
Business-Type Activities:				
Employment Security Commission	194,549	533,629	1,146,720	776,001
Water Resources Board	27,016	25,527	26,739	40,769
Office of Management and Enterprise Services	-	-	-	-
Lottery Commission	145,951	122,961	132,642	132,812
Business-Type Activities	367,516	682,117	1,306,101	949,582
Total Primary Government Expenses	14,826,497	16,109,228	16,969,721	16,846,546
Program Revenues				
Governmental Activities:				
Charges for Services:				
Government Administration	222,663	230,663	224,563	226,054
Health Services	140,691	126,087	167,567	174,185
Social Services	157,818	190,535	198,086	171,890
All Others	483,933	569,538	707,820	570,744
Total Charges for Services	1,005,105	1,116,823	1,298,036	1,142,873
Operating Grants and Contributions	5,528,650	6,141,165	7,804,862	7,982,737
Total Governmental Activities	6,533,755	7,257,988	9,102,898	9,125,610
Business-Type Activities:				
Charges for Services:				
Employment Security Commission	227,733	267,591	206,763	352,458
Water Resources Board	37,585	53,973	26,979	76,225
Office of Management and Enterprise Services	-	-	-	-
Lottery Commission	214,400	193,326	199,926	198,274
Total Charges for Services	479,718	514,890	433,668	626,957
Operating Grants and Contributions	33,862	134,029	596,350	421,483
Total Business-Type Activities	513,580	648,919	1,030,018	1,048,440
Total Primary Government Revenue	7,047,335	7,906,907	10,127,765	10,172,410
Net (Expense) Revenue:				
Governmental Activities	(7,925,226)	(8,169,123)	(6,560,722)	(6,771,354)
Business-Type Activities	146,064	(33,198)	(276,083)	98,858
Total Primary Government	(7,779,162)	(8,202,321)	(6,836,805)	(6,672,496)
General Revenues				
Governmental Activities:				
Taxes	8,181,246	7,865,257	6,825,428	7,736,326
Investment Earnings	247,191	141,264	45,116	117,128
Contributions to Permanent Funds	68,018	73,548	62,325	61,738
Gain (Loss) on Sale of Assets	-	1,316	3,816	-
Special Item	-	-	-	-
Transfers	68,323	69,826	70,315	69,574
Total Governmental Activities	8,564,778	8,151,211	7,007,000	7,984,766
Business-Type Activities:				
Transfers	(68,323)	(69,826)	(70,315)	(69,574)
Total Business-Type Activities	(68,323)	(69,826)	(70,315)	(69,574)
Total General Revenues and Transfers	8,496,455	8,081,385	6,936,685	7,915,192
Change in Net Position	717,293	(120,936)	99,880	1,242,696
Net Position - Beginning of Year (as restated)	13,347,383	13,915,217	13,800,809	13,883,987
Net Position - End of Year	\$ 14,064,676	\$ 13,794,281	\$ 13,900,689	\$ 15,126,683

	2012	2013	2014	2015	2016	2017
\$	2,413,027	\$ 2,405,694	\$ 3,322,341	\$ 3,424,751	\$ 3,435,184	\$ 3,361,645
	1,982,235	2,003,101	1,037,785	1,030,060	942,707	889,389
	1,763,437	1,866,501	1,830,570	1,114,539	2,114,501	1,870,606
	5,432,791	5,462,257	5,766,102	5,660,101	5,710,985	5,613,009
	236,979	245,372	261,344	205,622	262,081	267,320
	15,455	15,916	17,691	18,189	12,502	11,316
	223,444	353,243	264,233	288,333	290,366	318,494
	825,787	820,506	863,080	787,751	859,395	895,929
	116,789	129,206	131,756	153,511	193,245	97,804
	2,126,879	2,222,255	2,240,638	2,187,576	2,356,625	2,199,151
	845,784	941,132	1,043,522	1,086,603	1,109,349	1,128,688
	95,097	112,030	71,270	58,330	78,130	76,321
	16,077,704	16,577,213	16,850,332	16,015,366	17,365,070	16,729,672
	537,575	386,399	289,959	281,058	395,192	320,111
	39,979	39,398	35,286	32,641	34,673	34,932
	-	843,065	925,327	1,023,920	1,051,966	1,031,753
	127,729	128,642	123,180	112,624	121,139	97,619
	705,283	1,397,504	1,373,752	1,450,243	1,602,970	1,484,415
	16,782,987	17,974,717	18,224,084	17,465,609	18,968,040	18,214,087
	263,050	469,439	189,753	558,328	330,500	447,826
	476,950	472,502	557,041	544,828	625,906	633,940
	62,997	26,317	61,925	11,962	36,311	9,984
	564,370	697,964	627,565	628,232	659,458	698,598
	1,367,367	1,666,222	1,436,284	1,743,350	1,652,175	1,790,348
	7,181,699	6,939,234	7,326,805	6,744,975	6,785,553	7,131,617
	8,549,066	8,605,456	8,763,089	8,488,325	8,437,728	8,921,965
	634,373	535,290	475,453	305,538	254,001	278,815
	59,461	54,877	55,315	53,329	61,237	42,455
	-	860,767	941,890	964,432	984,734	1,026,482
	199,973	200,324	191,564	171,989	190,074	151,917
	893,807	1,651,258	1,664,222	1,495,288	1,490,046	1,499,669
	260,936	138,918	37,901	10,935	8,302	9,031
	1,154,743	1,790,176	1,702,123	1,506,223	1,498,348	1,508,700
	9,703,247	10,396,260	10,465,028	9,997,863	9,936,752	10,430,665
	(7,528,638)	(7,971,757)	(8,087,243)	(7,527,041)	(8,927,342)	(7,807,707)
	449,460	392,672	328,371	55,980	(104,622)	24,285
	(7,079,178)	(7,579,085)	(7,758,872)	(7,471,061)	(9,031,964)	(7,783,422)
	8,371,138	8,342,838	8,691,182	8,612,118	8,232,688	8,131,948
	80,488	68,601	59,298	60,007	60,792	53,157
	64,861	87,515	60,516	59,287	58,810	59,460
	-	-	-	-	-	-
	7,384	615	-	(451)	-	-
	65,880	77,745	81,020	76,211	78,979	65,456
	8,589,751	8,577,314	8,892,016	8,807,172	8,431,269	8,310,021
	(65,880)	(77,745)	(81,020)	(76,211)	(78,979)	(65,456)
	(65,880)	(77,745)	(81,020)	(76,211)	(78,979)	(65,456)
	8,523,871	8,499,569	8,810,996	8,730,961	8,352,290	8,244,565
	1,444,693	920,484	1,052,124	1,259,900	(679,674)	461,143
	15,257,926	16,977,473	17,879,823	17,979,226	19,082,638	18,405,937
\$	16,702,619	\$ 17,897,957	\$ 18,931,947	\$ 19,239,126	\$ 18,402,964	\$ 18,867,080

State of Oklahoma

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Modified accrual basis of accounting)

(expressed in thousands)

	2008	2009	2010	2011
Revenues				
Taxes:				
Income Taxes-Individual	\$ 2,753,040	\$ 2,537,221	\$ 2,093,097	\$ 2,527,208
Income Taxes-Corporate	552,193	449,910	219,795	351,074
Sales Tax	2,107,116	2,190,082	1,982,820	2,191,359
Gross Production Taxes	1,114,950	1,136,279	762,223	818,572
Motor Vehicle Taxes	604,926	585,084	579,852	638,189
Fuel Taxes	419,617	397,852	402,999	405,555
Tobacco Taxes	237,166	254,006	253,172	270,307
Insurance Taxes	100,778	105,076	88,156	113,951
Beverage Taxes	86,648	90,071	90,276	95,115
Other Taxes	204,812	119,946	353,038	324,996
Licenses, Permits and Fees	323,903	357,226	361,338	405,062
Interest and Investment Revenue	399,006	89,296	476,597	699,254
Federal Grants	5,503,532	6,227,575	7,456,421	7,499,163
Sales and Services	173,117	201,307	185,037	166,584
Other	475,020	570,192	780,704	521,740
Total Revenues	15,055,824	15,311,123	16,085,525	17,028,129
Expenditures				
Education	4,387,428	4,619,951	4,648,786	4,572,304
Government Administration	1,694,758	1,631,219	1,560,521	1,634,351
Health Services	4,200,188	4,525,993	4,737,363	4,851,630
Legal and Judiciary	215,942	225,225	248,996	232,245
Museums	31,586	16,903	14,993	13,801
Natural Resources	263,551	271,487	279,830	250,174
Public Safety and Defense	876,660	915,880	755,376	798,995
Regulatory Services	93,438	127,803	117,821	115,076
Social Services	1,755,810	1,933,117	2,259,473	2,252,188
Transportation	286,540	199,517	177,683	182,708
Capital Outlay	1,010,262	1,438,064	1,626,181	1,551,017
Debt Service				
Principal Retirement	126,103	95,155	111,816	118,163
Interest and Fiscal Charges	74,108	70,026	70,549	72,074
Total Expenditures	15,016,374	16,070,340	16,609,388	16,644,726
Revenues in Excess of (Less Than) Expenditures	39,450	(759,217)	(523,863)	383,403
Other Financing Sources (Uses)				
Transfers In	76,576	77,371	84,362	71,919
Transfers Out	(8,253)	(7,545)	(14,047)	(2,345)
Bonds Issued	23,000	105,400	148,080	559,045
Notes Issued	-	98,230	-	-
Refunding Bonds Issued	-	-	-	-
Bond Issue Premiums	-	2,478	2,671	38,627
Bond Issue Discounts	-	(730)	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	(246,044)
Capital Leases and Certificates of Participation	2,873	3,655	8,116	2,640
Sale of Capital Assets	7,860	5,832	10,142	7,601
Total Other Financing Sources (Uses)	102,056	284,691	239,324	431,443
Net Changes in Fund Balances	141,506	(474,526)	(284,539)	814,846
Fund Balances - Beginning of Year (as restated)	6,174,576	6,315,187	5,840,650	5,555,130
Fund Balances - End of Year	\$ 6,316,082	\$ 5,840,661	\$ 5,556,111	\$ 6,369,976
Debt Service as a Percentage of Noncapital Expenditures	1.4%	1.1%	1.2%	1.3%

2012	2013	2014	2015	2016	2017
\$ 2,722,648	\$ 2,854,034	\$ 2,893,520	\$ 2,965,231	\$ 2,944,246	\$ 2,948,868
443,358	583,829	396,087	373,518	333,838	169,639
2,400,752	2,523,139	2,599,078	2,553,978	2,481,242	2,460,238
837,302	512,875	666,825	543,656	326,608	412,898
692,046	678,075	788,668	772,697	761,052	757,223
410,949	403,641	420,105	424,048	432,607	432,780
278,797	270,682	248,623	252,978	257,813	254,935
124,653	145,420	167,489	183,722	181,133	164,008
100,547	105,145	109,390	112,718	116,246	118,449
360,086	265,997	401,397	429,572	397,902	412,914
598,030	626,597	672,008	695,364	682,750	711,014
336,295	509,424	692,697	318,679	254,610	655,229
6,934,571	6,647,031	6,746,151	6,652,689	6,667,592	6,695,846
190,779	174,523	200,086	180,315	212,169	222,086
614,350	865,023	508,809	810,615	729,640	759,334
17,045,163	17,165,435	17,510,933	17,269,780	16,779,448	17,175,461
4,395,104	4,406,724	4,359,511	4,459,227	4,373,024	4,247,212
1,741,287	1,857,921	2,204,090	1,522,733	1,699,571	1,935,755
5,436,158	5,447,207	5,745,842	5,636,440	5,704,161	5,614,255
231,292	239,421	250,376	248,668	251,114	254,551
14,281	14,915	14,532	9,698	9,074	7,444
211,946	337,867	246,556	273,081	281,530	295,638
764,714	768,059	798,173	786,197	826,716	837,157
111,911	122,354	128,460	150,864	191,627	95,621
2,091,972	2,196,864	2,214,898	2,177,124	2,347,661	2,192,547
208,009	212,248	225,768	203,021	237,427	203,290
1,302,447	1,104,103	894,684	1,451,605	1,764,073	1,575,479
98,831	221,187	361,488	408,643	191,272	179,384
95,097	112,030	71,269	60,833	76,228	72,994
16,703,049	17,040,900	17,515,647	17,388,134	17,953,478	17,511,327
342,114	124,535	(4,714)	(118,354)	(1,174,030)	(335,866)
73,168	67,955	81,020	83,587	85,002	81,634
(7,287)	-	-	(7,376)	(6,023)	(16,178)
68,805	22,795	235,505	189,250	39,535	265,665
-	-	-	-	-	-
6,140	67,555	-	-	-	-
11,282	8,099	25,679	18,398	5,276	39,067
(35)	(121)	-	-	-	-
-	-	-	-	-	-
5,659	5,256	322	365	-	440
8,139	11,928	10,798	87,267	14,451	13,343
165,871	183,467	353,324	371,491	138,241	383,971
507,985	308,002	348,610	253,137	(1,035,789)	48,105
6,367,321	6,884,008	7,192,011	7,486,221	7,728,478	6,692,689
\$ 6,875,306	\$ 7,192,010	\$ 7,540,621	\$ 7,739,358	\$ 6,692,689	\$ 6,740,794
1.3%	2.1%	2.6%	2.9%	1.7%	1.6%

State of Oklahoma
Personal Income by Industry
Last Ten Years
(expressed in millions)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total Personal Income	126,280	131,070	132,144	133,149	142,862	154,958	161,188	167,292	178,250	179,238
Farm Earnings	486	828	110	955	881	1,253	1,128	1,303	2,043	1,390
Nonfarm Earnings	91,723	93,894	93,158	92,177	101,345	108,094	113,571	118,038	126,040	126,433
Private Earnings	72,903	73,787	71,887	70,174	79,024	87,058	92,367	96,706	103,580	103,347
Forestry, Fishing & Agriculture	203	203	199	193	273	244	268	357	229	255
Mining, Oil & Natural Gas Extraction	8,634	7,963	8,528	5,813	9,467	14,809	14,736	15,626	13,859	11,878
Utilities	1,721	1,309	1,473	1,407	1,468	1,537	1,573	2,044	1,637	1,648
Construction	4,154	4,722	4,383	4,861	5,390	6,381	7,296	7,509	7,767	7,964
Manufacturing - Durable	6,020	6,266	5,389	5,717	5,907	6,486	6,725	7,108	7,311	6,885
Manufacturing - Nondurable	8,533	5,734	5,476	3,240	3,675	3,500	3,839	3,915	3,147	3,255
Wholesale Trade	3,745	4,060	3,727	3,667	4,026	4,298	4,559	4,839	4,844	4,763
Retail Trade	5,746	6,255	5,810	6,414	6,749	7,080	7,329	7,603	7,253	7,450
Transportation and Warehousing	3,484	3,732	3,698	3,931	5,063	4,316	5,739	5,893	14,222	14,538
Services	30,663	33,543	33,204	34,931	37,006	38,407	40,303	41,812	43,311	44,711
Government	18,820	20,107	21,271	22,003	22,321	21,036	21,204	21,332	22,460	23,086
Federal, civilian	4,170	4,193	4,467	4,797	4,884	4,409	4,277	4,308	4,582	4,786
Military	2,691	2,825	3,024	3,261	3,240	2,438	2,355	2,216	2,171	2,195
State and Local	11,959	13,089	13,780	13,945	14,197	14,189	14,572	14,808	15,707	16,105
Highest Personal Income Tax Rate	5.65%	5.50%	5.50%	5.50%	5.50%	5.25%	5.25%	5.25%	5.25%	5.00%
Corporate Income Tax Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

Source: U. S. Department of Commerce, Bureau of Economic Analysis, and the Oklahoma Tax Commission.
Data is the latest available at time of printing.

State of Oklahoma
 Personal Income Tax Filers and Liability by Adjusted Gross Income
 Calendar (Tax) Years 2015 and 2006

Calendar Year 2015				
<u>Adjusted Gross Income Level</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$100,001 and higher	267,336	15%	\$1,766,017,145	58%
\$75,001 - \$100,000	140,718	8%	\$388,741,498	13%
\$50,001 - \$75,000	227,866	13%	\$415,617,626	14%
\$25,001 - \$50,000	438,808	25%	\$374,663,357	12%
\$10,001 - \$25,000	397,331	22%	\$66,786,913	2%
\$10,000 and lower	310,924	17%	\$546,645	1%
Total	1,782,983	100%	\$3,012,373,184	100%

Calendar Year 2006				
<u>Adjusted Gross Income Level</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$100,001 and higher	159,898	10%	\$1,406,410,882	47%
\$75,001 - \$100,000	110,502	7%	\$373,977,299	13%
\$50,001 - \$75,000	200,406	12%	\$466,127,248	16%
\$25,001 - \$50,000	397,877	24%	\$480,454,650	16%
\$10,001 - \$25,000	422,572	24%	\$148,553,495	4%
\$10,000 and lower	387,262	23%	\$82,158,578	4%
Total	1,678,517	100%	\$2,957,682,152	100%

Source: Oklahoma Tax Commission

State of Oklahoma

Tax Collections

Last Ten Years

Taxes	2008	2009	2010	2011
Aircraft Excise Tax	\$ 4,756,533	\$ 4,172,388	\$ 4,234,993	\$ 4,358,022
Alcoholic Beverage Excise Tax	20,898,973	21,886,066	21,905,099	22,777,383
Beverage Tax	25,337,878	26,359,749	25,303,290	24,934,826
Bingo Tax	491,681	222,436	140,859	136,038
Business Activity Tax	-	-	-	4,869,667
Charity Games Tax	71,363	51,222	54,607	20,623
Cigarette Tax	202,745,622	204,236,542	196,519,460	215,941,799
City Use Tax - Collect/Deposit	1,069,561	958,607	1,002,399	1,000,347
Coin Operated Device Decal	3,512,188	3,956,591	3,111,604	2,197,531
Controlled Dangerous Substance Tax	17,766	33,260	20,674	30,586
County Tax (Use & Lodging)	213,985	219,223	194,713	237,749
Diesel Fuel Excise Tax	69,806,535	72,681,342	71,963,557	69,230,643
Documentary Stamp Tax	16,584,410	13,307,236	11,090,994	10,981,645
Farm Implement Tax Stamps	8,324	8,287	6,397	8,033
Franchise Tax	46,103,569	46,908,656	46,714,746	32,647,715
Freight Car Tax	676,250	707,694	530,685	619,364
Fuels Excise Tax	-	-	-	49,665
Gaming Exclusivity Fees	79,779,165	104,803,681	118,624,111	123,560,707
Gasoline Excise Tax	207,968,692	206,287,240	208,545,441	197,712,177
Gross Production Tax - Oil and Gas	950,392,198	976,062,637	579,700,531	631,755,429
Horse Track Gaming	10,429,536	13,727,728	13,710,940	16,915,904
Income Tax (Individual)	2,778,617,535	2,605,269,216	2,230,787,128	2,385,413,131
Income Tax (Corporate)	359,823,533	376,971,517	212,866,850	330,905,421
Inheritance and Estate Tax	52,416,680	43,803,931	23,433,845	5,661,243
Insurance Premium Tax	161,504,757	165,916,913	141,255,690	170,627,316
Mixed Beverage Gross Receipts Tax	29,749,193	31,554,602	32,494,306	35,344,321
Occupational Health and Safety Tax	2,311,554	2,521,511	2,757,188	2,672,792
Pari-Mutuel Taxes	1,811,980	1,647,939	1,265,853	1,117,663
Pari-Mutuel - Other Tax	33,155	18,178	28,721	11,155
Petroleum Excise Tax	15,861,718	16,010,447	11,045,779	13,077,225
Rural Electric Co-operative Tax	1,488,051	1,602,814	1,521,744	1,642,867
Sales Tax	1,913,387,580	1,989,494,833	1,806,049,515	1,982,182,368
Sales Tax - City	12,425,284	13,720,926	13,113,139	12,948,170
Sales Tax - County	2,583,542	2,851,342	2,715,907	2,853,587
Special Fuel Decal	320,595	315,226	355,578	503,848
Special Fuel Use Tax	1,423,614	1,438,287	1,498,427	1,522,816
Tag Agent Remittance Tax	307,223,643	261,581,867	247,546,872	307,579,624
Telephone Surcharge	917,690	885,980	837,385	796,832
Tobacco Products Tax	24,311,479	26,073,091	27,045,416	30,947,514
Tourism Gross Receipt Tax	1,163,187	2,946	-	-
Tribal Compact in Lieu of Tax Payments	28,031,272	43,708,777	47,165,891	40,180,597
Unclaimed Property Assessment	11,756,295	11,444,647	11,418,562	9,424,634
Unclassified Tax Receipts	278,502	510,559	274,693	188,102
Use Tax	167,314,341	191,222,671	152,323,434	176,061,390
Vehicle Revenue Tax Stamps	46,769	39,793	37,247	40,797
Workers' Compensation Awards - Assessments	22,427,205	23,056,945	23,440,505	25,534,690
Workers' Compensation Insurance Premium Tax	7,622,856	7,567,468	7,452,455	8,802,817
Other Taxes	19,685,781	19,825,879	19,113,157	21,172,515
Total	\$ 7,565,402,020	\$ 7,535,648,889	\$ 6,321,220,387	\$ 6,927,199,288

Prepared using cash basis to aid in budgetary analysis.
Source: Oklahoma Tax Commission as adjusted.

2012	2013	2014	2015	2016	2017
\$ 5,884,147	\$ 4,910,204	\$ 4,074,978	\$ 3,243,398	\$ 4,828,624	\$ 5,391,211
23,614,156	25,553,610	26,372,098	26,987,301	26,646,189	28,106,231
24,979,667	24,653,353	23,896,702	23,283,684	22,887,790	22,331,800
132,086	127,801	105,890	80,475	61,400	29,185
50,733,207	45,051,074	33,395,208	816,420	107,215	33,469
28,177	42,535	34,835	37,195	18,534	13,514
227,840,813	210,231,001	195,926,775	197,553,535	198,606,624	185,771,745
1,259,015	1,229,331	1,313,014	1,356,836	658,449	694,396
4,044,697	4,191,200	3,602,660	3,794,511	3,719,626	3,585,473
34,874	57,556	72,283	63,393	55,753	42,755
280,394	314,817	357,102	372,177	181,421	161,073
77,027,777	73,785,574	80,309,870	79,234,208	68,837,914	80,680,616
11,991,469	15,282,903	15,763,766	18,191,408	18,008,889	19,078,660
8,328	10,818	11,611	11,697	10,666	7,886
758,202	540,824	1,126,420	56,540,151	56,198,494	52,175,517
665,287	717,516	837,888	826,793	850,181	797,132
-	-	-	-	-	-
124,300,610	129,286,255	123,376,190	128,443,759	134,390,332	135,437,136
206,179,731	203,403,445	202,091,479	207,370,800	214,758,884	204,215,392
724,903,048	373,494,633	477,781,300	401,619,064	196,635,110	270,569,184
18,612,058	20,483,704	20,615,037	20,592,150	20,890,153	20,738,589
2,723,887,073	2,844,880,206	2,835,207,273	3,152,729,993	2,941,832,022	2,881,519,924
412,808,773	594,181,209	408,109,649	375,873,186	371,445,751	167,149,379
1,814,854	135,523	873,332	1,056,925	126,278	256,834
199,620,667	213,675,180	223,090,507	244,415,684	257,217,612	243,245,651
39,241,847	43,357,002	46,127,916	50,193,262	52,872,099	54,204,358
3,027,902	2,681,651	2,597,953	2,171,916	2,280,573	1,615,273
1,272,843	1,287,912	1,168,333	1,163,885	1,068,502	1,085,121
7,633	9,352	6,961	6,028	24,116	8,318
14,309,381	12,450,983	16,135,417	14,152,206	8,148,238	11,897,143
1,770,676	1,842,173	2,055,243	2,214,029	2,031,514	2,048,871
2,165,311,137	2,275,444,163	2,335,326,717	2,424,380,716	2,268,723,336	2,192,792,253
14,906,819	15,541,756	14,952,187	16,725,211	8,964,736	8,283,457
3,304,647	3,374,051	3,328,337	3,800,593	1,919,312	1,632,995
396,838	460,204	450,950	351,812	159,254	930,292
1,539,054	1,421,676	1,485,281	1,534,694	1,541,979	1,068,339
348,562,103	330,838,092	388,643,946	376,730,773	385,676,774	391,613,483
722,113	719,897	634,760	570,979	493,779	403,749
34,415,644	37,643,515	40,243,152	44,462,393	47,592,850	50,725,702
-	-	-	-	-	-
41,910,495	43,741,973	31,908,905	27,372,341	28,901,523	30,894,381
12,083,796	10,575,619	10,235,907	9,433,401	10,200,000	11,033,333
366,977	49,413	43	436,149	209,126	5,884
206,228,223	221,082,285	237,162,483	240,423,735	208,492,766	219,582,282
43,650	51,598	47,408	46,974	47,338	45,594
22,723,364	34,801,759	55,465,606	63,469,440	57,157,971	48,609,051
8,693,887	9,949,807	10,210,365	9,789,096	9,129,743	6,500,000
23,170,322	28,001,415	32,368,659	37,118,891	33,803,335	35,231,845
<u>\$ 7,785,418,461</u>	<u>\$ 7,861,566,568</u>	<u>\$ 7,908,902,396</u>	<u>\$ 8,271,043,267</u>	<u>\$ 7,668,412,775</u>	<u>\$ 7,392,244,476</u>

State of Oklahoma
Percentage of Annual Debt Service Expenditures
for General Bonded Debt to Total Expenditures
Governmental Funds
For Last Ten Years
(Expressed in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Service										
Principal Retirement	\$ 126,103	\$ 95,155	\$ 111,816	\$ 118,163	\$ 98,831	\$ 221,187	\$ 361,488	\$ 408,643	\$ 191,272	\$ 179,384
Interest and Fiscal Charges	74,108	70,026	70,549	72,074	95,097	112,030	71,269	60,833	76,228	72,994
Total Debt Service	200,211	165,181	182,365	190,237	193,928	333,217	432,757	469,476	267,500	252,378
Total Expenditures	\$ 14,006,112	\$ 14,632,276	\$ 14,983,207	\$ 15,093,709	\$ 15,400,602	\$ 15,936,797	\$ 16,620,964	\$ 15,936,529	\$ 16,189,405	\$ 15,935,848
Ratio	1.429%	1.129%	1.217%	1.260%	1.259%	2.091%	2.604%	2.946%	1.652%	1.584%

State of Oklahoma
Ratios of Outstanding Debt by Type-
Primary Government
Last Ten Fiscal Years
(expressed in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities Debt:										
General Obligation Bonds	\$ 218,955	\$ 203,755	\$ 188,030	\$ 175,645	\$ 175,645	\$ 136,585	\$ 131,955	\$ 107,395	\$ 82,100	\$ 55,875
General Obligation Bonds as a Percentage of General Revenue ^a	2.56%	2.50%	2.81%	2.26%	2.03%	1.59%	1.49%	1.21%	0.97%	0.67%
Per Capita (actual-not in thousands) ^b	\$ 60	\$ 55	\$ 50	\$ 46	\$ 46	\$ 36	\$ 34	\$ 28	\$ 21	\$ 14
Revenue bonds	1,061,570	1,099,625	1,173,025	1,428,820	1,424,555	1,353,449	1,255,988	1,283,082	1,157,304	1,311,850
Notes Payable	211,570	299,266	246,623	229,929	212,592	194,560	173,985	47,245	30,520	16,575
Capital Leases	5,082	6,650	12,553	12,719	8,710	10,712	8,271	6,526	4,202	2,740
Total Governmental Activities	1,497,177	1,609,296	1,620,231	1,847,113	1,821,502	1,695,306	1,570,199	1,444,248	1,274,126	1,387,040
Business-Type Activities Debt:										
Revenue Bonds	\$ 544,900	\$ 502,901	\$ 599,984	\$ 759,493	\$ 832,597	\$ 931,413	\$ 801,159	\$ 778,800	\$ 867,324	\$ 854,028
Total Business-Type Activities	544,900	502,901	599,984	759,493	832,597	931,413	801,159	778,800	867,324	854,028
Total Primary Government	2,042,077	2,112,197	2,220,215	2,606,606	2,654,099	2,626,719	2,371,358	2,223,048	2,141,450	2,241,068
Total Primary Government Debt as a Percentage of Personal Income ^c	1.60%	1.60%	1.66%	1.92%	1.84%	1.68%	1.46%	1.32%	1.20%	1.34%
Per Capita (actual-not in thousands) ^b	\$ 559	\$ 575	\$ 595	\$ 679	\$ 694	\$ 684	\$ 618	\$ 569	\$ 543	\$ 569

^a General Revenue values can be found in the Changes in Net Position statistics schedule.

^b Population data can be found in the Demographic and Economic Statistics schedule. The amount for the current year is estimated. Population data for the current year was unavailable at printing.

^c Debt by Type information can be found in the notes to the financial statements. The percentage for the current year is estimated. Current year personal income data was unavailable at printing.

State of Oklahoma
Revenue Bond Coverage
Enterprise Fund and Component Units
For the Last Ten Fiscal Years
(expressed in thousands)

	Fiscal Year Ended	Gross Revenues (1)	Operating Expenses (2)	Net Revenues for Debt Service	Debt Service Requirements	Debt Serv. Coverage
COMPONENT UNITS:						
Oklahoma Student Loan Authority (June 30 year end)	2017	\$ 14,981	\$ 10,734	\$ 4,247	\$ 4,181	1.02
	2016	12,890	9,488	3,402	4,010	0.85
	2015	12,614	9,552	3,062	4,323	0.71
	2014	14,229	9,720	4,509	5,251	0.86
	2013	19,195	9,319	9,876	7,002	1.41
	2012	16,201	2,134	14,067	6,823	2.06
	2011	19,831	(296)	20,127	7,734	2.60
	2010	19,858	(1,993)	21,851	42,601	0.51
	2009	39,625	867	38,758	94,891	0.41
	2008	60,391	958	59,433	95,588	0.62
Oklahoma Housing Finance Agency (September 30 year end)	2016	\$ 31,793	\$ 11,914	\$ 19,879	\$ 18,524	1.07
	2015	35,347	12,395	22,952	25,043	0.92
	2014	39,286	15,461	23,825	41,461	0.57
	2013	18,003	19,773	(1,770)	115,088	-0.02
	2012	47,532	14,855	32,678	88,459	0.37
	2011	63,923	14,131	49,792	69,559	0.72
	2010	64,490	15,346	49,144	44,125	1.11
	2009	83,223	14,233	68,990	104,808	0.66
	2008	67,511	13,402	54,109	72,439	0.75
	2007	54,416	12,831	41,585	54,104	0.77
Oklahoma Turnpike Authority (December 31 year end)	2016	\$ 278,200	\$ 93,972	\$ 184,228	\$ 93,246	1.98
	2015	263,317	85,532	177,785	94,634	1.88
	2014	257,863	82,048	175,815	108,314	1.62
	2013	242,226	81,593	160,633	91,893	1.75
	2012	241,379	86,706	154,674	101,570	1.52
	2011	235,369	87,918	147,451	99,141	1.49
	2010	237,047	72,396	164,651	100,389	1.64
	2009	217,158	70,915	146,243	99,555	1.47
	2008	273,732	75,320	198,412	94,143	2.11
	2007	212,380	70,197	142,183	89,604	1.59
Grand River Dam Authority (December 31 year end)	2016	\$ 441,662	\$ 300,547	\$ 141,115	\$ 74,787	1.89
	2015	425,083	229,863	195,220	75,542	2.58
	2014	485,012	307,941	177,071	79,109	2.24
	2013	432,799	251,386	181,413	134,919	1.34
	2012	423,614	272,188	151,425	135,799	1.12
	2011	418,551	254,480	164,071	136,623	1.20
	2010	398,415	196,671	201,744	142,448	1.42
	2009	340,341	214,758	125,583	124,702	1.01
	2008	346,067	156,179	189,888	68,780	2.76
	2007	314,287	127,530	186,757	99,214	1.88
Oklahoma Municipal Power Authority (December 31 year end)	2016	\$ 186,775	\$ 131,533	\$ 55,242	\$ 50,392	1.10
	2015	185,981	132,151	53,830	45,125	1.19
	2014	192,273	136,025	56,248	49,563	1.13
	2013	179,321	135,198	44,123	39,685	1.11
	2012	175,506	124,308	51,198	43,857	1.17
	2011	175,983	126,187	49,796	44,848	1.11
	2010	163,991	117,610	46,381	40,299	1.15
	2009	153,534	113,568	39,966	35,494	1.13
	2008	158,006	122,828	35,178	36,346	0.97
	2007	153,391	119,268	34,123	32,730	1.04

	Fiscal Year Ended	Gross Revenues (1)	Operating Expenses (2)	Net Revenues for Debt Service	Debt Service Requirements	Debt Serv. Coverage
Higher Education	2017	\$ 5,138,290	\$ 4,432,737	\$ 705,553	\$ 251,231	2.81
(June 30 year end)	2016	4,762,338	4,308,023	454,315	291,597	1.56
	2015	4,843,892	4,122,226	721,666	113,085	6.38
	2014	5,015,949	4,107,758	908,191	274,979	3.30
	2013	5,953,195	3,944,790	2,008,405	147,220	13.64
	2012	5,389,947	3,932,409	1,457,538	148,780	9.80
	2011	4,722,834	3,562,033	1,160,801	207,268	5.60
	2010	4,177,035	3,670,063	506,972	303,612	1.67
	2009	3,831,790	3,636,123	195,667	95,303	2.05
	2008	4,109,380	3,365,616	743,764	69,859	10.65
ENTERPRISE FUND:						
Oklahoma Water Resources Board	2017	\$ 20,714	\$ 645	\$ 20,069	\$ 76,004	0.26
(June 30 year end)	2016	22,601	1,460	21,141	40,318	0.52
	2015	20,918	766	20,152	42,672	0.47
	2014	20,600	1,287	19,313	50,395	0.38
	2013	20,128	1,427	18,701	56,376	0.33
	2012	17,580	1,036	16,544	40,532	0.41
	2011	14,705	1,529	13,176	34,638	0.38
	2010	12,885	1,126	11,759	34,162	0.34
	2009	12,069	807	11,262	40,149	0.28
	2008	13,523	823	12,700	36,575	0.35

(1) Gross revenues including interest and investment income, but excluding revenues restricted to other debt.

(2) Operating expenses, exclusive of depreciation and operating interest (where applicable)

- Revenue bond coverage is not intended to portray compliance with bond indenture agreements.

- Debt service requirements do not include one time debt service payments from refunding bonds.

State of Oklahoma
Major Employers by Size
Non-Government
For years 2007 and 2016

Non-Governmental Major Employers 2007	Non-Governmental Major Employers 2016	Employment 2016	Percentage of Total State Employment 2016
Wal-Mart Stores, Inc.	Wal-Mart Stores, Inc.	33,500	1.93%
Integrus Health	Integrus Health, Inc.	9,500	0.55%
AMR Corp.	Mercy Health	6,500	0.37%
YUM! Brands	Hobby Lobby Stores	6,000	0.35%
Saint Francis Hospital Inc.	Saint Francis Hospital Inc.	6,000	0.35%
Choctaw Nation of Oklahoma	American Airlines	5,500	0.32%
W.H. Braum, Inc	Braum's Inc.	5,500	0.32%
St. Johns Medical Center Inc.	St. Johns Medical Center Inc.	5,000	0.29%
Albertson's	Lowe's Home Centers, Inc.	4,500	0.26%
AT&T (formerly SBC)	Dolgencorp (Dollar General)	4,000	0.23%

Source: Oklahoma Department of Commerce

Note: The information above is compiled by the Department of Commerce and is the latest available at the date of publication.

State of Oklahoma

Demographic and Economic Statistics

Last Ten Fiscal Years

Year	Population ^a (in thousands)				Personal Income ^a	Per Capita Personal Income ^a			Civilian Labor Force ^b		
	U. S.	Change from Prior Period	State of Oklahoma	Change from Prior Period	(in millions)	U. S.	State of Oklahoma	Oklahoma as a Percentage of U.S.	Employed	Unemployed	Unemployment Rate
				State of Oklahoma							
2007	301,290	0.98%	3,608	1.12%	123,889	39,430	34,336	87.08%	1,657,767	76,688	4.4%
2008	304,060	0.92%	3,642	0.94%	131,070	40,208	35,985	89.50%	1,682,000	71,000	4.1%
2009	307,007	0.97%	3,687	1.24%	132,144	39,626	35,840	90.45%	1,660,000	114,000	6.4%
2010	309,350	0.76%	3,762	2.03%	133,149	39,945	35,396	88.61%	1,631,000	124,000	7.1%
2011	311,592	0.72%	3,792	0.80%	142,862	41,560	37,679	90.66%	1,662,000	109,000	6.2%
2012	313,914	0.75%	3,815	0.61%	154,958	43,735	40,620	92.88%	1,709,000	94,000	5.2%
2013	316,129	0.71%	3,851	0.94%	161,188	44,765	41,861	93.51%	1,718,000	99,000	5.4%
2014	318,857	0.86%	3,878	0.70%	167,292	46,129	43,138	93.52%	1,704,000	80,000	4.5%
2015	321,419	0.80%	3,911	0.85%	178,250	48,112	45,573	94.72%	1,764,000	78,000	4.2%
2016	323,128	0.53%	3,924	0.33%	167,503	49,246	42,692	86.69%	1,739,000	89,000	4.9%

^a source U.S. Bureau of Economic Analysis as adjusted.

^b source Oklahoma Employment Security Commission.

Note: The information above is the latest available at the date of publication.

State of Oklahoma

School Enrollments

For the last ten years

<u>Public School Enrollments:</u>	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Early childhood	34,378	35,270	37,726	39,784	40,688	37,929	40,121	40,129	39,474	36,377
Kindergarten	49,362	49,306	50,497	51,037	52,114	52,339	54,649	55,127	53,453	49,620
Elementary School	236,130	239,446	242,668	246,305	248,398	252,235	266,499	257,154	248,631	251,280
Junior High School	137,251	136,059	135,889	138,626	140,964	130,505	141,539	123,812	142,131	140,895
Senior High School	178,292	178,400	176,679	177,366	175,949	173,193	154,144	184,074	187,031	188,966
No-High School Districts (Grades 1-8)	20,743	22,603	24,090	23,938	23,596	23,549	17,215	24,151	18,179	22,637
Special Education (Ungraded)	3,978	3,584	1,649	1,684	1,798	1,535	1,542	2,070	2,169	2,274
Out-of-Home Placements	1,854	1,635	1,806	1,720	1,915	1,905	1,616	1,783	1,602	1,661
Total	<u>661,988</u>	<u>666,303</u>	<u>671,004</u>	<u>680,460</u>	<u>685,422</u>	<u>673,190</u>	<u>677,325</u>	<u>688,300</u>	<u>692,670</u>	<u>693,710</u>
<u>Higher Education:</u>										
Public Institutions	233,371	235,388	250,673	255,503	256,213	251,096	236,865	228,768	225,858	221,207
Private Institutions	24,070	25,278	21,945	25,856	26,830	27,708	26,175	17,997	17,494	17,837
Total	<u>257,441</u>	<u>260,666</u>	<u>272,618</u>	<u>281,359</u>	<u>283,043</u>	<u>278,804</u>	<u>263,040</u>	<u>246,765</u>	<u>243,352</u>	<u>239,044</u>
<u>Career-Technology Education:</u>										
Secondary *	160,310	156,755	154,492	148,831	148,831	151,720	149,501	152,227	150,958	156,673
Adult	407,597	378,772	345,016	354,949	354,949	376,783	372,687	394,650	366,538	354,839
Total	<u>567,907</u>	<u>535,527</u>	<u>499,508</u>	<u>503,780</u>	<u>503,780</u>	<u>528,503</u>	<u>522,188</u>	<u>546,877</u>	<u>517,496</u>	<u>511,512</u>

* These students may also be included in public school enrollments above.

Sources: Department of Education, Regents for Higher Education, and Department of Career and Technology Education

State of Oklahoma
Government Employees by Function
Last Ten Years
(excluding Higher Education)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function:										
Education	1,052	1,043	963	864	832	836	817	782	767	740
Government Administration	2,312	2,297	2,324	2,036	2,275	2,828	2,829	2,633	2,624	2,529
Health Services	4,977	4,920	4,550	4,403	4,254	4,337	4,434	4,519	4,497	4,429
Legal and Judiciary	2,345	2,335	2,316	2,216	2,276	2,275	2,220	2,255	2,216	2,135
Museums	176	168	158	151	149	151	145	140	129	112
Natural Resources	2,570	2,547	2,418	2,356	2,292	2,266	2,254	2,360	2,325	2,329
Public Safety and Defense	7,287	7,224	6,857	6,428	6,311	6,320	6,367	6,338	6,409	6,564
Regulatory Services	1,376	1,368	1,328	1,291	1,280	1,289	1,302	1,023	1,030	1,087
Social Services	12,191	12,635	12,027	11,674	11,033	10,960	11,268	11,518	10,911	10,109
Transportation	2,971	3,109	3,019	2,960	2,893	2,865	2,906	2,868	2,912	2,840
Total	37,257	37,646	35,960	34,379	33,595	34,127	34,542	34,436	33,820	32,874

Source: The Human Capital Management (HCM) division of the Office of Management and Enterprise Services (OMES).

State of Oklahoma
Capital Assets Utilization by Function-
Primary Government
Last Ten Fiscal Years
(net of depreciation, expressed in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Education	\$ 18,130	\$ 23,888	\$ 24,064	\$ 28,402	\$ 29,906	\$ 29,628	\$ 33,274	\$ 32,602	\$ 33,110	\$ 32,936
Government Administration	173,422	173,235	220,891	235,887	289,578	291,033	289,411	286,592	276,274	250,684
Health Services	28,784	142,580	149,604	146,835	162,355	157,101	151,996	151,408	157,047	166,329
Legal and Judiciary	302	125	387	310	349	1,066	824	529	1,168	818
Museums	6,576	6,594	11,156	12,662	12,505	13,169	13,920	12,942	13,894	13,754
Natural Resources	122,618	140,616	160,253	180,892	193,947	200,208	218,155	233,997	251,259	270,754
Public Safety and Defense	320,743	372,077	460,894	502,434	524,859	529,224	522,170	507,035	444,173	429,586
Regulatory Services	682	1,597	1,532	1,173	904	859	726	947	804	676
Social Services	209,140	97,722	122,358	118,942	115,417	104,439	86,288	87,785	85,479	77,556
Transportation	7,179,503	7,513,128	8,139,553	8,730,234	9,159,061	9,433,515	9,692,860	9,957,686	10,335,267	10,690,785
Governmental activities, net	<u>\$ 8,059,900</u>	<u>\$ 8,471,562</u>	<u>\$ 9,290,692</u>	<u>\$ 9,957,771</u>	<u>\$ 10,488,881</u>	<u>\$ 10,760,242</u>	<u>\$ 11,009,624</u>	<u>\$ 11,271,523</u>	<u>\$ 11,598,475</u>	<u>\$ 11,933,878</u>
Business-type activities, net	<u>\$ 771</u>	<u>\$ 527</u>	<u>\$ 330</u>	<u>\$ 202</u>	<u>\$ 126</u>	<u>\$ 1,037</u>	<u>\$ 1,415</u>	<u>\$ 1,914</u>	<u>\$ 2,856</u>	<u>\$ 2,477</u>

State of Oklahoma

Operating Indicators for Governmental Functions

Last Ten Fiscal Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Government Administration										
Office of Management and Enterprise Services										
Number of motor vehicles maintained	1,019	964	1,267	1,203	1,217	1,168	1,104	1,093	1,076	1,050
Number of buildings managed	17	17	18	18	19	20	20	28	28	28
Health Services										
Department of Health										
Protective services:										
Retail food establishment inspections	33,648	33,648	24,369	23,368	45,874	43,083	44,939	45,417	47,457	45,887
Food inspections	43,387	42,342	48,036	44,878	46,662	43,671	47,831	48,417	48,913	47,238
Long-Term Care:										
Facility licensing, inspections and complaints	3,622	2,314	2,120	1,912	4,078	2,223	2,492	2,275	2,901	2,231
Residents (approximate)	18,950	17,813	19,623	21,202	18,512	19,340	19,006	18,987	18,880	18,722
Mental Health and Substance Abuse Department										
Number of clients:										
Mental Health	47,422	52,226	54,804	56,478	65,356	65,314	* 166,181	167,464	172,096	175,823
Substance Abuse	21,084	22,144	20,981	18,881	19,351	18,208	37,292	39,747	39,257	37,709
Hospitals - Inpatient Care	3	3	3	3	3	3	3	2	2	2
Legal and Judiciary										
Oklahoma Indigent Defense system										
Provides legal representation for indigent citizens charged with committing criminal acts.										
Represented - Total Court Appointments	39,334	39,385	43,883	41,965	43,712	43,980	48,401	49,723	58,025	60,747
Included above: Non-capital trial cases	30,000	30,000	32,000	33,000	35,000	43,167	47,543	48,964	57,318	59,986
Capital trial cases	71	92	105	112	98	67	53	50	44	58
General appeals cases	596	529	558	609	540	595	648	565	663	703
Average cost: Non-capital case (Staff Attorney)	\$410	\$373	\$279	\$380	\$368	\$361	\$346	\$304	\$334	\$333
Capital case (Staff Attorney)	\$34,824	\$28,756	\$28,423	\$21,196	\$21,551	\$25,955	\$36,710	\$37,075	\$40,252	\$48,385
Museums										
J. M. Davis Memorial										
Museum - 40,000 sq. ft.										
Number of artifacts (approximate)	48,012	48,012	48,012	48,012	50,000	50,000	50,000	50,000	50,000	50,000
Visitors per year (approximate)	22,000	22,000	22,000	22,000	35,000	30,000	30,000	28,000	30,000	30,000
Oklahoma Historical Society										
Center - 18 acres; 215,000 sq. ft.; 5 Galleries; 6 acres outdoor exhibits										
Number of artifacts (on exhibit)	>2,000	>2,000	>2,000	>2,000	>2,000	>2,000	>2,000	>2,000	>2,000	>2,000
Visitors and researchers per year (approximate)	225,000	244,000	244,000	185,491	254,634	214,723	183,251	183,000	182,000	185,000
Will Rogers Memorial										
Museum - 12 Galleries - 26,631 sq. ft.; Theater Children's Museum; Library - 1,518 sq. ft.										
Archives - number of documents, photographs	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	36,000	30,000
Visitors and researchers per year (approximate)	115,000	120,000	117,000	120,000	133,000	32,000	29,000	31,000	26,000	40,000
Natural Resources										
Wildlife Conservation										
Number of Anglers in State (last census)	697,000	697,000	697,000	697,000	729,000	729,000	729,000	729,000	729,000	729,000
Number of Hunters (last census)	445,000	445,000	445,000	445,000	244,000	244,000	244,000	244,000	244,000	244,000
Number of Wildlife Watchers (last census)	1,110,000	1,110,000	1,110,000	1,110,000	1,263,000	1,263,000	1,263,000	1,263,000	1,263,000	1,263,000

* Increase due to ODMHSAS becoming responsible for Medicaid outpatient behavioral health.

Source: Agency reports, Governor's annual budget report. Data above is the latest available at the date of publication.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Public Safety and Defense										
Department of Public Safety										
Driver's Licenses Issued	902,069	954,419	744,878	690,131	694,557	741,938	835,807	727,169	726,740	758,277
Citations Processed	219,442	168,346	227,426	162,748	158,914	182,073	198,518	200,826	213,616	205,905
Collision Reports Processed	14,033	76,947	79,354	74,714	73,462	68,406	82,067	74,267	72,537	83,320
Department of Corrections										
Capacity (Number of Beds)	24,815	25,515	25,455	25,364	25,469	25,846	26,473	27,256	27,064	27,399
Prison Population	24,433	24,337	24,870	24,384	24,526	25,159	26,874	27,889	27,987	26,710
As a percentage of capacity	98.5%	95.4%	97.7%	96.1%	96.3%	97.3%	101.5%	102.3%	103.4%	97.5%
Cost to house an inmate:										
Per diem cost/day - Maximum Security	\$70.04	\$64.35	\$75.97	\$75.85	\$78.50	\$87.01	\$100.80	\$87.20	\$84.01	\$95.00
Per diem cost/day - Medium Security	\$56.10	\$44.93	\$42.41	\$38.98	\$38.94	\$40.17	\$47.47	\$42.83	\$45.46	\$46.00
Regulatory Services										
Oklahoma Corporation Commission										
Number of regulated utilities	548	494	511	484	421	418	420	411	410	359
Hearings and administrative proceedings	32,273	35,582	29,981	30,504	31,805	40,052	40,594	43,642	44,269	46,463
Motor carrier vehicles registered (power units)	131,444	151,639	121,874	132,927	135,230	139,569	152,280	157,188	156,722	178,913
Oil and gas wells plugged (operator plugged)	1,699	1,629	1,582	2,926	1,948	1,319	1,485	1,226	2,403	1,072
Oil and gas wells plugged (abandoned, plugged by OCC)						167	206	176	132	44
Motor Fuel Facilities inspected	3,388	4,174	5,490	4,341	4,326	5,760	6,011	4,371	4,384	4,923
Retail fuel dispenser (pump) inspections	82,470	85,118	97,326	77,444	70,649	75,939	80,397	80,742	83,649	73,169
Social Services										
Department of Human Services										
Adoption subsidies (end of fiscal year)	10,051	10,951	11,924	12,384	13,114	13,706	14,123	15,333	16,611	18,417
Adult protective svcs (state fiscal year)	18,020	18,168	18,615	17,135	16,012	15,223	15,010	14,807	9,821	8,499
Child care services provided (monthly average)	40,250	39,079	39,060	39,017	36,444	34,722	33,322	32,336	31,713	44,942
Licensed facilities (monthly average)	4,762	4,696	4,561	4,376	4,213	3,960	3,825	3,558	3,438	3,317
Licensed capacity (monthly average)	137,743	137,973	136,534	136,816	135,585	132,625	131,150	126,123	124,200	122,253
Child protective services-Substantiated (state fiscal year)	11,714	8,605	7,248	8,110	9,842	11,418	14,172	15,252	15,187	15,289
Child support enforcement (cases-quarterly average)	182,228	188,327	193,000	198,390	202,743	203,209	206,746	207,677	206,701	201,459
Developmental Disabilities Persons Served (end of fiscal year)	13,724	14,063	14,352	14,602	9,894	9,772	9,777	9,693	8,905	8,186
Elderly support services (meals/state fiscal year)	4,005,247	3,902,997	6,176,989	6,098,275	6,265,779	6,105,823	6,056,081	6,324,185	6,630,634	6,570,061
Food stamps (unduplicated count/state fiscal year)	415,397	445,364	559,626	609,723	891,555	889,137	615,412	867,968	874,873	850,855
Foster care children (end of fiscal year)	12,108	9,489	7,973	8,502	9,132	10,233	11,483	10,942	9,984	9,923
Oklahoma Employment Security Commission										
Initial unemployment claims	107,308	183,159	218,918	183,849	155,885	124,170	108,758	105,258	109,028	90,007
Unemployment insurance paid	\$158,694,794	\$350,260,138	\$499,636,015	\$340,695,628	\$271,279,698	\$263,654,340	\$247,148,751	\$270,419,798	\$386,312,966	\$316,957,075
Transportation										
Oklahoma Department of Transportation										
State Highway System (miles)	12,266	12,266	12,266	12,882	12,882	12,882	12,882	12,265	12,265	12,265
Bridges on the State Highway System	6,728	6,728	6,728	6,800	6,800	6,800	6,800	6,828	6,828	6,828
System usage growth next 20 years (est.)										
Automobiles	33%	33%	33%	65%	65%	65%	65%	65%	65%	26%
Trucks	70%	70%	70%	65%	65%	65%	65%	65%	65%	52%
Freight railroads operating in Oklahoma	20	20	20	22	22	22	22	22	22	22
Passenger railroad	1	1	1	1	1	1	1	1	1	1
Rail passengers (average per year)	54,000	54,000	54,000	81,000	81,000	81,000	81,000	82,000	82,000	82,000
Railroad track (miles)	3,234	3,234	3,234	3,746	3,746	3,746	3,746	3,740	3,740	3,740
Public Waterway Ports	2	2	2	2	2	2	2	2	2	2

State of Oklahoma

Additional Information and Sources of Statistical Data

Fiscal Year 2017

Additional Information:

The population of Oklahoma has steadily increased since 2007, averaging 0.9% per year.

At the end of December 2016, the United States Bureau of Labor Statistics reported the state's unemployment rate was 4.8% compared to the national rate of 4.7%.

Oklahoma's total personal income rate has increased at an average of 3.8% annually since 2007. During the same period, Oklahoma's personal income per capita increased annually by an average of 2.8% compared to 3.0% nationally.

As a result, annual total tax collections since 2008 have decreased by \$173,158,000 or 2.3%.

Please refer to the preceding Statistical Section tables, Management's Discussion and Analysis, the Financial Statements and Notes for more details and analysis.

Sources of Statistical Data:

Data provided in the statistical section of the CAFR is the latest available at the time of publication.

Primary sources of statistical data provided in the Statistical Section of the CAFR include:

- Oklahoma Department of Commerce
- Oklahoma Department of Labor
- Oklahoma Employment Security Commission
- Oklahoma Tax Commission
- Oklahoma Department of Education
- Oklahoma Regents for Higher Education
- Oklahoma Department of Career and Technology
- Oklahoma Office of Management and Enterprise Services
- U. S. Bureau of Labor Statistics
- U. S. Census Bureau
- U. S. Department of Commerce
- U. S. Bureau of Economic Analysis

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State Agency Finance Officers and Teams

Special Thanks To

Photos courtesy of Stefani Hovarter of the Office of Management and Enterprise Services

2017 OKLAHOMA

GENERAL INFORMATION

ADMITTED TO UNION (46TH STATE)	1907
CAPITAL	OKLAHOMA CITY
2016 POPULATION	3,923,561
POPULATION PER SQUARE MILE	57.2
COUNTIES	77

STATE SYMBOL

NICKNAME	THE SOONER STATE
MOTTO	LABOR OMNIA VINCIT (LABOR CONQUERS ALL THINGS)
COLORS	GREEN AND WHITE
FLOWER	OKLAHOMA ROSE
FLORAL EMBLEM	MISTLETOE
TREE	REDBUD
BIRD	SCISSOR-TAILED FLYCATCHER
ANIMAL	AMERICAN BUFFALO (BISON)
FISH	WHITE BASS (SAND BASS)
BUTTERFLY	BLACK SWALLOWTAIL
REPTILE	MOUNTAIN BOOMER (COLLARED LIZARD)
ROCK	ROSE ROCK
WILDFLOWER	INDIAN BLANKET

AREA

TOTAL AREA	69,996 SQUARE MILES
LAND AREA	68,595 SQUARE MILES
WATER AREA	1,401 SQUARE MILES

RECREATION

NUMBER OF STATE PARKS	33
NUMBER OF STATE TRAILS	99
NUMBER OF LAKES	> 200



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